RUSSIAN WEEKLY NEWSMAGAZINE
№ 38 SEPTEMBER 1992

# NEW TIMES

PROPERTY OF THE LIBRARY
OCT 2 1992
University of North Carolina at Greensboro

NAL

## Vladimir Shcherbakov:

# WE OFFER ONE-STOP SHOPPING

ИНДЕКС 70622

# Joint-Stock Company "First Moscow Watch Factory"

34 Marxistskaya Str.,
109147 Moscow,
Russian Federation
Tel.: 276-47-07
Fax: 274-00-94

ПОЛЕТ
ЧАСЫ

38/92 NEW TIMES SEPTEMBER
INTERNATIONAL

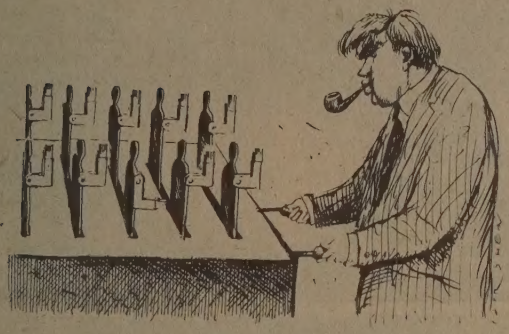
LIBRARY
OCT 02 1992
University of North Carolina at Greensboro

## POLITICS

**TRENDS**
**V.Kulistikov**
BORIS YELTSIN AS A PRESIDENT IS CONCERNED MORE WITH AFFAIRS AT HOME THAN THE IMAGE HE PROJECTS ABROAD 3

**POLITICAL LIFE**
**M.Shakina**
SMOKING BREAK IN PARLIAMENT 6

6



A machine for people to vote or for the voice of the people to be heard?

**OBSERVER'S VIEW**
**D.Volsky**
RUSSIA ON THE EAST RIVER 11

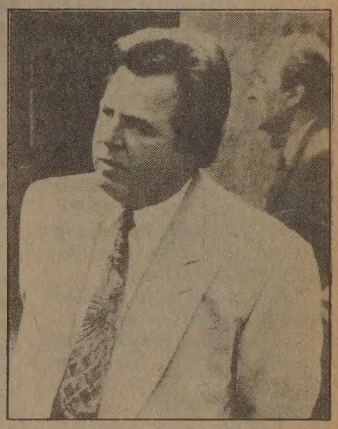
**ESSAY**
**W.Laqueur**
FOREIGN POLICY CONCEPTS OF THE RUSSIAN RIGHT 12

## ECONOMICS

**DOSSIER**
INSTRUCTIONS ON APPLICATION OF THE LAW OF THE RUSSIAN FEDERATION "ON INCOME TAX ON INDIVIDUALS" 15

**COVER STORY**
**V.Shcherbakov**
WE DON'T PAY OUT DIVIDENDS, BUT... 20

20



"We don't only make money..."

## INTERNATIONAL

**SECRET SERVICES**
**B.Lysenko**
OUT OF THE "AQUARIUM" AND INTO THE DOCK 24

**V.Nikolsky**
THE "AQUARIUM" AND THE KGB: NEIGHBOURS AND RIVALS 25

**CRIME**
**Y.Rakhayeva**
THE ROSTOV KILLER AWAITING A VERDICT 30

30

He murdered 53 people. It is doubtful he would have stopped there if he hadn't by chance run into a psychiatrist

**LETTERS** (2), **THIS WEEK** (4), **OUTLOOK** (19), **PEOPLE** (28)

*Cover photo by Vsevolod Rybakov*

### *Small peoples require great attention*

I read the article by Ya.Borovoi and A.Chudodeyev titled "Uighurs. A people that fell victim to the Moscow-Beijing rivalry" (No. 28/92). I don't quite understand the following things there.

Why did mullah Alikhan Ture, an ethnic Uzbek, became the head of the Uighur state, what had he been before that and what was his fate after he was ousted? I hear that the Defence Minister in the Alikhan Ture government was a complete thief... In which northern provinces of Xinjiang did the rebellion start and who headed it? What was the fate of the Chinese who lived in Xinjiang after the East Turkestan Republic was proclaimed?

Please give a more detailed look into Eastern Turkestan!

**Tair Shadmanov**
Tajikistan

* * *

I was deeply offended by Messrs Borovoi and Chudodeyev – why did they place the sidebar "Ethnic discrimination in Kazakhstan" along with their coverage about the Uighur people? This article fosters distrust and suspicion between ethnicities. Its authors didn't ask the opinion of the Uighur man in the street. Evidently, it doesn't suit them that a reasonable and balanced ethnic policy is now carried out in Kazakhstan. We have peace and concord in our country.

**A.Amitakhunov**
Kazakhstan

### *Danger of impunity*

It's a well-known fact that in hard times people look for scapegoats.

Communists and the national-patriots who have joined them are confident that they have found them in Gorbachev, Yeltsin, democrats and non-Russians.

Fascism is characterized by intolerance to differing opinions, hatred towards the liberal intelligentsia, democracy, foreigners, nostalgia for a strong hand, with the readiness to resort to violence. All these qualities were fully demonstrated by the picketers of the Central TV. Their slogans and words leave no place for doubt: these are fascists. In the meantime, the authorities demonstrate a surprising apathy and helplessness. The appeals to overthrow the legally elected government along with propaganda of national enmity are heard from the TV screens and at public rallies, they fill newspapers. and yet no one has been held legally responsible! Impunity is dangerous.

**Yuri Lukyanov,**
**Vladimir Lukyanov**
St.Petersburg

### *Von Braun didn't even dream of it*

Sometimes historical research by some of our "scholars" render one utterly perplexed. One of such historians, for instance, turned out to be smart enough to declare that "the Russians flew into space in rockets stolen from Germans." This statement, if at all true, relates better to the USA which availed itself of practically all German rocket-builders and captured an enormous quantity of technical documentation and equipment.

The German experience was of little use to us – the range of the V-2 missiles was far from intercontinental and the target accuracy unsatisfactory. Besides, the entire theory behind rockets is the merit of our great theoreticians: Tsiolkovsky, Kondratyuk, and others. Research made by all foreign rocket-builders, including German, were based on their works.

Soviet scientists and military experts had to be the first to solve such problems that von Braun's rocket experts didn't even dream of. On the whole, they managed to develop several major directions united by one notion of rocket-building. And all this was accomplished by our people! So let the assertions that we "stole the secrets of missile-building, but even this got us nowhere" be on the conscience of their authors.

**Nikolai Aksyonov,**
a member of the
Association of Experts
on the History of Weapons
Moscow

### *A view of perestroika from Birmingham*

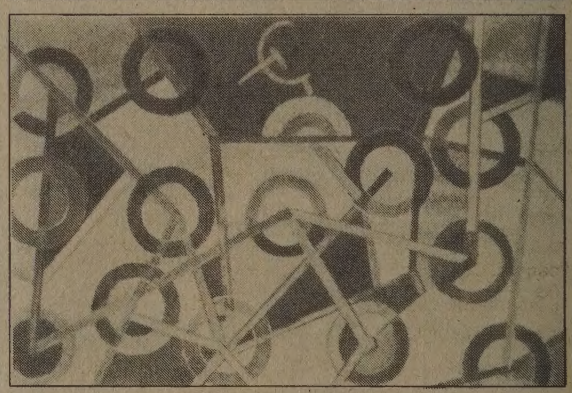
Since retirement I have become a student artist and I am enclosing, with some presumption, photographs of my efforts to give expression in paint to my feelings and thoughts on the current situation in the USSR.

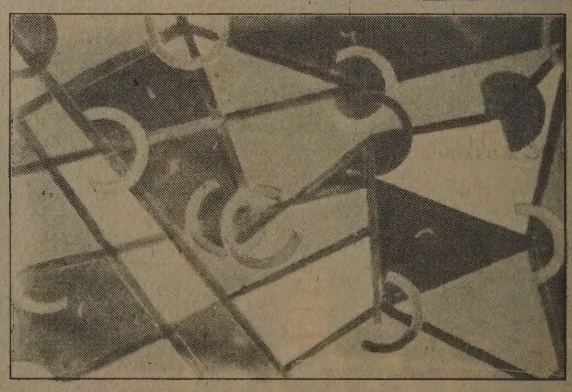
The first shows the chaos of *perestroika* in a naturalistic design.

The second shows the fifteen parts of the USSR still in reasonable shape politically, and connected to each other with the emblem, Hammer & Sickle, shown as the key piece.

The third piece shows the parts, as broken-circles, still tenuously connected, and the Emblem also broken up – yet still the KEY.

My address:
**Mr. E.Wright**
22 Brunswick Road
Birmingham





NEW TIMES
INTERNATIONAL
RUSSIAN WEEKLY NEWSMAGAZINE
FOUNDED 1943

Publisher
The New Times Publishing House
Joint-Stock Company

President
Sergei DUBOV

Editor-in-Chief
of Russian edition
Alexander PUMPYANSKY

Editor-in-Chief
of international editions
Sergei GOLYAKOV

Managing Editor
Victor SIDENKO

English Editor
Maria CHERNYAEVA

Art Director
Ivan GOLOVIN

Address:
Pushkin Square,
Moscow, GSP, 103782, Russia
Telephones: 229-88-72,
209-07-67
Telex: 411164a newt SU,
411164b newt SU
Telefax: 200-42-23, 200-41-92

Printed by
PPC Moskovskaya Pravda
7, Ulitsa 1905 Goda, Moscow

Registration certificate No.01039
Order No.3812

© New Times
Publishing House



# Boris Yeltsin as President is concerned more with affairs at home than the image he projects abroad

When he suddenly postponed his Japan visit, Boris Yeltsin upset no Russian save for a few diplomats, journalists and politicians. Others sighed with relief, as to finger such a sore as the Southern Kuriles whom the Japanese quite justly consider their own, would have wrecked the post-communist regime considering the country's present situation. On the other hand, the ceiling for unproductive trips to Japan has already been reached. Then despite their proverbial courtesy, the Japanese would have compelled their Moscow visitor to rush off the very next day were they to see that he was not ready to cut the knot.

After Mikhail Gorbachev, both Japanese and others are discovering that it is not so simple to have dealings with the Kremlin. When Gorbachev pulled down Berlin walls across the globe, he only had to bother about that handful of Political Bureau diehards, who, when put to test, were found to be no more than paper tigers. Yeltsin, on the other hand, is obliged to take into account the full gamut of Russian politics. Today this is a different country, which has inaugurated a different foreign policy. Though Yeltsin's sarcasm with respect to Gorbachev, who during his Tokyo visit dived underground to escape pursuing advocates for the return of the Southern Kuriles, might seem a blow below the belt for a knocked-out opponent, it reflects reality, which is that Russia's President can no longer behave on the international scene as Gorbachev did, as otherwise he may well find himself in hot water at home.

This doesn't mean Yeltsin is an incorrigible diehard obsessed with the idea of regaining empire grandeur. His unerring hunches for handling major affairs prompted the right move in critical situations. He knows how to keep his finger on the pulse of that amorphous majority, who are largely conservative, are annoyed with everyone, are irrationally emotional and suspicious. This mood is easy enough to interpret. Much has been surrendered, while some even believe everything gone. What have they got in exchange – not up where Volvos and Mercedeses glide by, but in the day-to-day life of the man in the street, who has not won riches or power? Yeltsin well realizes that until there is a more or less positive answer, to surrender anything more is deadly, for Russia and for the world generally which has enough problems to cope with as such, as regards the "Red legacy," that ranges from Yugoslavia to Karabakh.

Nor are the Japanese that shining pure in respect of the visit row. If we look at matters in the broad historical perspective we shall see that they were let down not by the obstinate conservative Russians but by the Germans. Tokyo sought to get the Kremlin tackle territorial issues by the same methods Bonn employed for German reunification. However, Russians have not seen the miracle the Germans promised, so still less do they have reason to believe the Japanese – the more so, as the "pro-Japan lobby," so hastily knocked together shortly before the visit, had most crudely sought to prove that Russia did not need the Kuriles since all she had there, as one Russian newspaper put it, were shanty towns and refuse dumps. Couldn't the same be said of thousands of other places in Russia?! In the upshot few in Russia would see the losses deriving from the called-off conciliation with Japan as grievous, as from the very outset the gains would be illusory. However far removed from fairness the plan for resolving the issue via economic cooperation that Russian Foreign Minister Andrei Kozyrev proposed might be, a plan that so greatly upset his Japanese counterpart Mitio Watanabe, it furnishes the only realistic solution today.

Possibly therefore Russia was not subjected to reprisal from the international economic organizations, wherein Japan plays a key role by virtue of its financial sinews. For that matter in Japan itself, those seeking to punish Russia for her obstinate top political echelon proved less than the "Kurile lobbyists" in Russia herself had predicted.

*Vladimir Kulistikov*

# THIS WEEK

■ The decision by the President of Russia to postpone his visit to Japan caused quite a stir in all corners of the political world this week. The news gave rise to a host of rumours, talk, explanations and guesses which have yet to cease. The statement by the President's Press Secretary, V.Kostikov, was so unambiguously worded as to make one doubt if the visit is to take place at all. According to him, the visit was postponed not because of "internal political problems" in Russia as the Japanese press insists, but rather because of the inflexible and frequently ultimatum-like stance taken by the present Japanese Cabinet of Ministers over the issue of the so-called "northern territories."

**The Kuril Islands: a new outbreak of struggle against turning the islands over to Japan**

■ The All-Russia Conference of Heads of Representative and Executive Bodies of Power was held in Cheboksary with the country's highest officials taking part in it.

The report made by the Russian President was the focus of attention at the Conference

It can be summed up as follows: it's inadmissible for representative bodies to fulfil the functions of the executive power and vice versa, because this practice is fraught with a paralysis of power. It's necessary to tackle legal reform in Russia. Currently elections to the Soviets as well as elections of the heads of local administrative bodies are untimely. In the name of stability, they must complete their two-and-a-half year term stipulated by the electoral legislation before new elections. The existing bodies of power have the necessary potential to implement reforms. The Supreme Soviet is capable of passing new laws. A complete personnel reshuffle would only lead to a disruption of reforms. It's necessasry to stop for the time being all talk about the inadequacy and uselessness of deputies' work. A reform of local bodies must take place. It's expedient to introduce the post of first deputy chairman of the government for regional policies.

■ This sharply differs from the atmosphere at the meeting of representatives of the CIS foreign political departments. The businesslike tone was characterized by the desire to solve problems in the spirit of goodwill.

The objective of the Minsk consultations was to set an agenda for the forthcoming meeting of the leaders of the CIS states and governments in Bishkek. At the same time, the discussion on the main issues of the agenda at the summit will no doubt have some rough going.

The general opinion is that the hottest discussions will be those over the draft Statute of the Commonwealth and the proposal by Kazakhstan to create a Consultative and Coordinating Economic Council of the CIS.

Turkmenistan is rather apprehensive of the Statute, believing that it may give root to new bureaucratic structures, taking the place of the former Union supreme bodies of power. In the meantime, Russia and Belarus actively defend the idea of the Statute.

The consent of all CIS members on the creation of the Consultative and Coordinating Economic Council has been reached in principle, although, for instance, Ukraine is afraid of it becoming an analogue to the former State Planning Committee. For this reason Ukraine proposed to bring it under the Council of the leaders of the CIS countries, turning it into a *sui generis* economic "secretariat" deprived of special rights.

A serious discussion may arise following the proposal made by President Nazarbayev on the eve of the Minsk Conference. Alma-Ata suggests considering in Bishkek the question of a single monetary system, coordination of credit and monetary policy and preservation of the ruble as the legal means of payment. The Kazakh leader is going to insist on the necessity to institute an International CIS Bank with the exclusive right of monetary emission. This line is also supported by the International Monetary Fund.

The discussion in Minsk again touched upon the creation of an interstate broadcasting company. Representatives of all states except Ukraine agreed on discussing this question in Bishkek with Yegor Yakovlev, Director of the Ostankino broadcasting company participating in it.

■ In spite of the resignation of President Rakhmon Nabiyev of Tajikistan, peace and order have yet to bless the republic. Political confrontation of the President's followers, viewed as conservatives, with the heterogeneous opposition, styled democrats, is aggravated by confrontation between various ethnic forces. Particularly active among such forces are armed formations from the Kulyab and Kurgan Tyube regions. The number of losses among non-combatants in the Uzbek, Turkmen, Russian and Jewish communities is growing. There is information about interference in the conflict by Afghan military groups who supply arms and munitions for their adherents north of the fronter river Pyanj. The political heat in this mountain republic is quickly rising.

**Bloody feuds have earned Tajikistan notoriety as the Central Asian instability pole**

# THIS WEEK

## CARTOON OF THE WEEK

*Drawing by Vladimir Mochalov*

■ The decisive session of the tripartite Russian-Georgian-Abkhazian commission for control and inspection of the armed conflict zone was held at Stalin's former *dacha* in the Sukhumi subtropical arboretum. During the long hours of negotiations which concerned complicated and confusing problems, it became possible to reach an agreement on the most important issue, the exact date for a cease-fire.

According to the protocol, the withdrawal of the combatants from the site of conflict "to the places of their dislocation" was to start on September 10 and hostages were to be released.

Despite the fact that some questions remain unsettled as yet, hardly anyone will dare question the opinion of the head of the Russian delegation Yury Vorobyov who said: "Both sides have understood that compicated political problems can't be solved by bloodshed and are ready to seek out a peaceful solution."

■ The Russian Government has decided to earmark 13.6 billion rubles of the state budget to subsidize the defence industry in 1992.

It is stated in the resolution of the government of the Russian Federation signed by Acting Prime Minister Yegor Gaidar, that this money will be used to subsidize "the remuneration of the personnel of organizations and enterprises, inclusive of research institutes and design offices, involved in the fulfilling of state orders for the development and purchasing of weapons and military equipment and meeting the needs of defence and security in 1992."

Well, our budget is really extendible!

■ At last it has become possible to initiate the difficult process of pulling out the Russian troops from Lithuania. The issue has recently caused anxiety in both Vilnius and Moscow. The Defence Ministers of Russia and Lithuania have signed a number of agreements, including the one on a schedule for the withdrawal of the Russian Federation's troops from the Lithuanian territory, to be completed by August 31, 1993.

The leaders of the two states, however, didn't take part in the signing of the Russian-Lithuanian agreements, despite expectations that this inter-state agreement would be signed by the two leaders. The Press Secretary of the Russian President told journalists that "the document is not yet ready" and that "it will possibly be signed in a month's time."

■ 70 billion bottles of ecologically pure water are produced in the world. Not a single one in Russia as yet. But 5 hectares of land near Zelenograd have been chosen to build Russia's first factory manufacturing ecologically pure drinking and mineral water. Its production capacity will be 100 million half-litre bottles a year. Three types of water will be produced – plain, slightly carbonated and strongly carbonated, all meeting world standards of purity. The water will be obtained from wells protected against nitrates and other poisonous substances. The factory itself will be ecologically safe as well.

The price of one bottle will be 25 rubles (the production cost being 14 rubles.

■ The explosion of a grenade launched from a hand anti-tank grenade launcher shook building 5/3 on Kutuzovsky Prospect in Moscow on one September evening.

An unidentified person from the Caucasus fired the shot from a distance of about 50 metres and disappeared, having thrown the gun away. The grenade hit the wall between the windows of the ground floor occupied by a medical cooperative. The blast broke several windows.

Eyewitnesses say the person who fired the shot was scared away by a dog which suddenly started to bark. Its master fainted at the sight of a man with a grenade launcher.

Director of the cooperative Anatoly Gritsenko told journalists that the shot was meant for him.

Anatoly Gritsenko has two versions: either some of his rival doctors are disturbed by the obvious success of the medical cooperative (according to its director, about 500 people have been operated upon for thyroid gland tumours), or someone has claims to the premises occupied by the cooperative.

**Grenade launchers are already used in Moscow. A medical cooperative attacked**

## Quotation of the week

*Any accusations of occupation put forward against Georgia are absurd, because Abkhazia is an inseparable part of Georgia and the Georgian government has the right to send troops to any part of Georgia, if its national interests so require. The country's armed forces will remain in the Abkhazian territory as long as the interests of the state demand it...*

***Eduard Shevardnadze,***

*Chairman of Georgia's State Council*

# Smoking break in parliament

## Will parliament smoke the pipe of peace with its Speaker? And will the country smoke the pipe of peace with its parliament?

Everyone plainly sees that Russia's parliament is degenerating. But though everyone sees that and realizes that, either they agree or do nothing.

With the next parliamentary session soon, the mood among MPs is heating up. The wrangle around *Izvestia* still rages despite the President's latest move to place all material and technical facilities at the disposal of the *Izvestia* concern. In response, parliamentary Speaker Ruslan Khasbulatov declared when back from holiday that were the par-

*Drawing by Igor Shein*

liamentary ruling with respect to *Izvestia* not implemented, he would close the matter with "an order of his own."

Though we really don't know how he is going to take *Izvestia* to task, we do clearly perceive the tendency he has been following ever since elected Speaker. He seeks to impress upon himself, the MPs and all generally that he personally shapes the country's destiny, that what he wants goes.

Apart from the personal war that Ruslan Khasbulatov has declared against *Izvestia,* likewise noteworthy are some of his latest decisions relating to parliament's internal affairs. Meant is the redistribution of powers amongst his deputies as a result of which his first Vice-Deputy Sergei Filatov has been put in the shade. Other orders concern two types of identity cards, one of which is specially franked to entitle the holder to speak on behalf of parliament, with moreover this right granted to the *apparatchiks,* and the Speaker's instruction that all appeals to the President and cabinet ministers be sent only after his countersigning them.

## My parliament is my castle

Every nation has the government it deserves, they say. The same holds for the Speaker whom the MPs deserve.

What he does, and there is much that he does that is noteworthy, suits the books of the MPs for the most part. No wonder the small group of Radical Democrats who attempt at every instance, convenient or not, to raise the issue of his behavior and abilities always encounter the stone wall of dislike in parliament.

"Okay then, let's once again raise the issue of Speaker if you find the previous votes taken not enough," Khasbulatov drawls condescendingly in reply to motions to have him resign. He doesn't mind, as he is sure that three of every four MPs are reluctant to change anything or get to the root of the matter. He's not mistaken.

Why so? Only because we have a totally original parliament.

This parliament was elected long ago, ages ago, back in 1990. Over the past two years Russia has gone a long way, an absolutely incredible way, but the MPs haven't changed. Many, before elected, were representatives and functionaries of the now defunct CPSU. Torn from Party roots, they naturally worry about their future. However, parliament seems to serve as an adequately strong castle, behind whose walls, one may comfortably bide, and, amassing new connections, march on further.

As few seriously hope for reelection in 1995, they are not overly concerned as regards their political image. Meanwhile the machinery of recall is hopeless, as the Isakov case has distinctly demonstrated. No wonder having voted in Astafiev of the Democratic Russia movement, we see emerging somewhat later a national patriot, or that having elected the staunch Yeltsinite and democrat Khasbulatov, we now have a tin-pot king.

The session will start off with a wrangle to get the Speaker observe procedure and law

## Important trifles

The procedure that has established in parliament is such that we now have a system whereby the MPs depend on the Speaker. True, it did not appear overnight and is composed of what would seem to be sheer trifles.

At the outset immediately after Khasbulatov's election as Speaker, it was just his backing, his word, that carried weight when electing committee chairmen, complementing parliamentary commissions, etc. After all everybody knew, and for that matter Khasbulatov constantly and tirelessly drove it home,that he had the President behind him.

Then we have what would seem a trifle, as for instance, the MP's inalienable right to get the microphone. An MP might stand there for half an hour if not more, waiting to be given the floor, but the Speaker might seem to ignore him or accidentally switch off the mike while he spoke. Indeed, the Speaker has so many cares that he cannot keep track of everything. While if the MP were to jump up and down or shout, that would appear stupid.

Further, during the Congress, whose venue is the Great Kremlin Palace, from the presidium platform overlooking the hall the People's Deputies resemble an amorphous moving mass, an anthill – which perhaps has given rise to Khasbulatov's seeing the ministers as so many "worms."

A brainy chap does hot have to dig far to ferret out the trifles that can make an MP feel dependent. He has plenty of options – salaries, country-houses, chauffeured cars, flats, health-home vouchers. Finally, one could mention the Speaker's signature required when an MP wants to go somewhere. Thus should Khasbulatov believe that such-and-such an MP should stay on, that particular MP will never be able to travel to Sweden for example.

Hence you have MPs who readily accept the bondage. They see the "top man's" aloofness as normal and don't realize that Khasbulatov is merely one of them. The reverence they entertain for the top man is in the blood of the *nomenclatura* and their servants. Some instances are simply farcical. Take, for instance, the case when a team of MPs led by their Speaker travel around Russia. Khasbulatov and his bodyguards have a plane of their own. The other MPs follow in another.

It is amazing to see how meekly now

and again one or another MP suffers insults by the Speaker, who takes him to task as much as a naughty schoolboy. No doubt, he, the MP feels this the easier way out. But what are we to think of such a parliament?

## The autocratic parliament

As one might remember, back in his day Gorbachev tried to coax the USSR People's Deputies at one of the first congresses to modify the Constitution, in order to institute the office of USSR President: "We are the supreme authority and there is nobody above us. We can amend anything."

All the deputies assimilated this approach with no particular headaches as it is quite in the Russian tradition of unlimited power. First was an autocratic tsar, then an autocratic Political Bureau. So what do we have now, an autocratic parliament? There is obvious progress here. Although the coterie is narrow, it is broadening.

Yet that is merely a conventionality. At closer hand we see that not to bother the MPs, power, that is legislative power, is dropped into in the palm of the "top man," who has emerged from nowhere, inasmuch as the Constitution makes no provisions for a head of the legislative arm.

Plainly copy-catting Yeltsin, the Speaker travels around Russia issuing statements and promises and handing out money from his six-billion ruble fund. Definitely a king going to the nation. Is he speaking on his own behalf? Or on behalf of parliament? Should the latter be true, then the MPs could scarcely recall when exactly they had authorized him to do so.

There is an endless stream of orders appointing for example his deputies, elected by parliament by the way, as no less than "personal agents of the Speaker." Or he may at discretion amend their range of duties, although that is really for parliament to decide.

Khasbulatov is gradually surreptitiously implementing the historically familiar classic combination of replacing the MPs by an apparatus, by technical personnel, whom incidentally he himself hires. Here he prefers the tested veterans, accepting Boldin's old Central Committee apparatus in toto. He has made his close aide one General Achalov, a mastermind of the August putsch, who escaped a Matrosskaya Tishina cell only because he is one of the Russian MPs, who believe cooperative solidarity overrules charges of treason. They refused to allow his arrest.

These men, who are indebted to Khasbulatov for their comeback are already telling MPs what they ought to do, and what they ought not do.

## Where has the law gone?

Quite openly, for all to see, parliament is slowly but surely degenerating into a band, having its own interests and working exclusively to promote their interests.

Indeed, what we, voters cast our ballots for, that is good law-making and laws that would back up reform is either ignored or merely half-heartedly concocted. Why, only recently the President reverted to parliament eleven bills abounding in major drawbacks.

When the MPs are registered for a joint sitting, though the electrically-operated display may indicate that 152 are in attendance, anybody in the press gallery may tick off the actual number present and never find more than 60.

At the latest Sixth Congress the People's Deputies strove mostly to have the Constitution textually retain the concepts of "class," "socialist" and "Soviet Union." Hence, we can scarcely hope the Congress and parliament in their present composition to enact a new Constitution. The same holds for a law that would privatize the land.

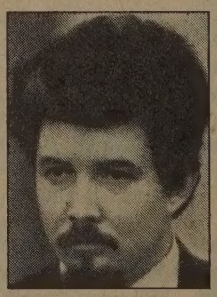
So what is one to do with parliament? Nothing. Indeed, however obsolescent parliament and Congress may be, it would be disadvantageous to call a general election. Which means this parliament will stay on till 1995.

All the talk, on nearly every lip, since the Sixth Congress that it is supposedly time to disband both Congress and parliament only served to rally the MPs in their just struggle for survival. It also did a disservice, making it possible to resort to underhand methods in the rivalry between the legislative and executive arms of authority.

Even some Democrats obstinately support Khasbulatov whom they regard as capable of making parliament a countercheck to the President.

**Sergei YUSHENKOV,** 42, coordinator of the Radical Democrats faction in parliament was prior to gaining his seat as MP an army political officer like Col.Petrushenko. At all conventions he maintained his stance as a steadfast reformer and as one of the masterminds behind all attacks mounted against the Speaker. He says that now his faction will launch a war against Khasbulatov who has justified the worst fears of the Democrats.

Holding army rank of lieutenant colonel, he demonstrates characteristic vigour, optimism and militancy and is not devoid of literary talent, evidencing biting satire in the sketches he produces at every convention.

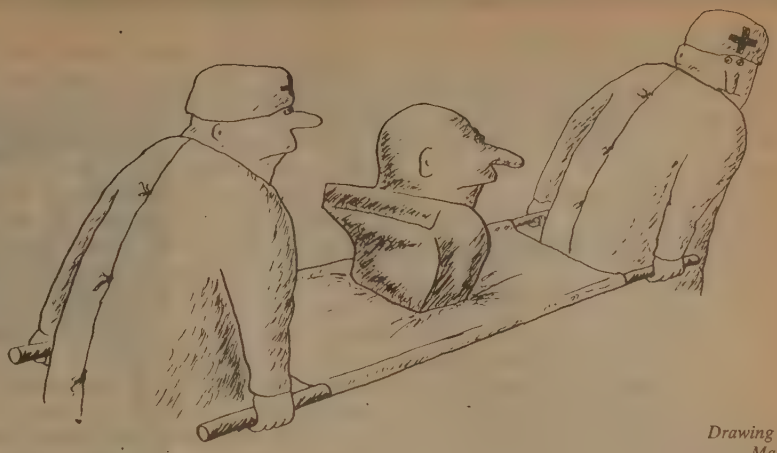


**Sergei BABURIN,** born in 1959, is though rather young one of the most prestigious Communist oppositionists and enjoys good chances of replacing Khasbulatov. Before he became an MP he was Dean of the Department of Law at Omsk State University. He is founder and leader of the Russia faction. Judging by the way he voted at the various conventions, he is a diehard conservative, a steadfast unitarian and a champion of the Southern Kurils.

Of late it has been observed more and more often, that with him as Speaker, the Russian Parliament would appear more civilized. After all, he is a jurist, who should understand the workings of law and constitutionality. For that matter Khasbulatov is not only an economist, but a jurist too.

The concept of the division of authority is likewise degenerating. It is now personalized in Khasbulatov who seeks to become Russia's second President along with Yeltsin, to do what Yeltsin does, to have his own personal plane as Yeltsin has, and also have outside the White House his own personalized traffic lights, that turn red to halt traffic when the Speaker drives out in his own chauffeured limousine. In short, he wants to be no worse than the President.

At the same time he seeks to serve as a countercheck to the President by doing what the Constitution mandates him to do.



*Drawing by Marat Tairov*

## Time bomb

In May yet a group of MPs submitted to the Russian Constitutional Court an appeal to have recognized as unconstitutional more than twenty of the Speaker's orders. However, the judges, who were getting ready to start the "trial of the century" in respect of the CPSU, had their hands full, as a result of which the said appeal still lies shelved as a time bomb. Radical Democrats are of the view that the next parliamentary session will start off with a tough wrangle to have the Speaker adhere to the law.

"According to sociological surveys, though the ratings of both President and government have dropped, that of parliament has fallen still further largely due to Khasbulatov's behavior," says Sergei Yushenkov, coordinator of the Radical Democrats faction.

The National Patriots in parliament also have reason to be unhappy with the Speaker. However, for the sake of what he thinks would be a good thing, to wit Khasbulatov's resignation, Yushenkov is willing to ally himself with his rabid opponents.

Yet one sees hopes of a new Speaker being elected when parliament next meets as illusory. It would be more feasible to employ steady pressure to thus control Khasbulatov and force him to observe parliamentary procedure and law.

However, it is quite likely that should the worse come to the worse the MPs would groom another candidate for succession. Indeed, if the "Communists" reach an agreement with the "Democrats," Khasbulatov's ouster would appear not that hopeless. For despite the plethora of political tinges Russia's parliament still has those three major groupings, notably the "Communists," the "Democrats," and what the MPs themselves have termed the "mush," who as a rule side with the majority without much bother.

## On the move?

Even though the Radical Democrats contend that they already have a candidate capable of rallying all Democrats without exception, still

**Sergei FILATOV,** 56, headed a section at an industrial research institute before his election to parliament. From the first congress he acted as coordinator of the Moscow Democratic Russia group of deputies. He is with the parliamentary faction of Social Democrats and Republicans and his voting performance betrays a consistent reformer. As First Vice-Speaker, he is the only one among the Speaker's deputies and cameral chairmen, who represents the Democrats. Recently Khasbulatov issued an order seeking to put the First Vice-Speaker out in the cold.

Filatov has never criticized Khasbulatov openly, although much of the Speaker's behavior goes against his grain. He is moderate, restrained, pedantic and inclined to compromise and hence can scarcely be seen as a tangible rival to Khasbulatov.

**Vladimir ISAKOV,** 42, was viewed at the first conventions as a Yeltsin fan and Democrat, although the way he voted showed him to be more middle-of-the-way. With the Democratic Russia movement's support he was elected chairman of the Council of the Republic. Before the Third Congress of People's Deputies he signed the notorious "Letter of Six" against Yeltsin, as a result of which he was stripped of his parliamentary office later. Yet after a long series of futile attempts, the chamber eventually re-elected him chairman. The said letter keynoted his politcal turnabout, he linking up with the Conservatives rather quickly and ever since it has been a *noblesse oblige* trend with him. Before election he held the post of professor at the Sverdlovsk Institute of Law. Despite his fanciful political change-about, he is still a brainy, erudite MP and one of the ideologues of the parliamentary opposition.

examination fails to spotlight a man who could rival the "loyal Ruslan." The most likely candidate is Sergei Baburin, a diehard conservative and unitarian leader of Communists and Patriots. Will the Democrats agree to such a substitute? Wouldn't it be "out of the frying pan into the fire"?

Be that as it may, admittedly the mood has changed firstly because the friction between the Speaker and his First Deputy Sergei Filatov, the sole advocate of reform amongst the deputy speakers and chairmen of the two chambers, has surfaced.

Filatov has never censured Khasbulatov openly, although one saw that many of the Speaker's escapades went against his grain. No wonder estrangement grew between the Democrats and Filatov. Hence his appearance last summer at a meeting of the advocates of reform was received not to say with surprise but at least coolly.

However, after Khasbulatov sought to take the reins out of Filatov's hands all again felt he was kin and that the Presidium had at least a countercheck to the Speaker. Yet it would not be worthwhile reposing any special hopes in Filatov as he only too obviously dislikes personal confrontation.

At the same time Khasbulatov is pushing into the foreground his deputy Yuri Voronin, who in his day played so unsavory a role with respect to Ivan Silaev's resignation. Without heeding parliament, Khasbulatov, sees him as in charge of reform even though Voronin cannot stand reform.

The media now and again compare Khasbulatov to Lukianov, who served as a model for manipulating the deputies. I wouldn't say that, as our Speaker prefers a "worthier" legacy. Indeed he feels himself to be successor to Brezhnev, into whose apartment he so pompously moved, to Gorbachev, whose Boldin men he has hired, to Vladimir Kryuchkov, one of whose generals is now his aide, and, of course, to Lukianov, who tamed the Union parliament. In short, he feels he is all of these men rolled up in one, even more so, as though President Yeltsin does not have a newspaper of his own, Khasbulatov does, and more than one.

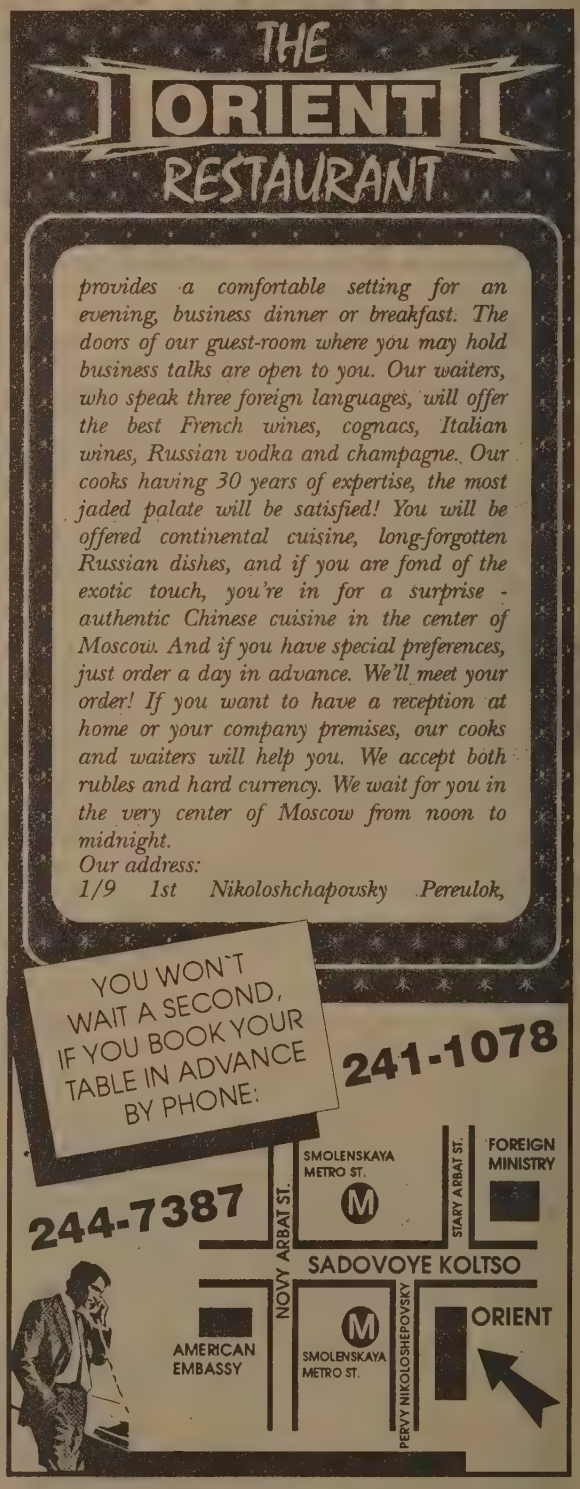
* * *

We are so used to following and analyzing these local engagements in parliament, the government and Yeltzin's entourage, that we have now really seriously believe them to be of decisive significance.

Yet parliament, though still dated in 1990, is the mirror reflection of society and will inevitably follow in the wake of the country's movement be it even belatedly.

That the ratings of both government and parliament are dropping is not fortuitous. Could this indicate that people are no longer looking up to an uncle, who would come to settle everything, but are, on the contrary, seeking self-reliance? That is a manifestation not of depression, but of change and new frontiers.

*Marina Shakina*



THE
ORIENT
RESTAURANT
provides a comfortable setting for an evening, business dinner or breakfast. The doors of our guest-room where you may hold business talks are open to you. Our waiters, who speak three foreign languages, will offer the best French wines, cognacs, Italian wines, Russian vodka and champagne. Our cooks having 30 years of expertise, the most jaded palate will be satisfied! You will be offered continental cuisine, long-forgotten Russian dishes, and if you are fond of the exotic touch, you're in for a surprise - authentic Chinese cuisine in the center of Moscow. And if you have special preferences, just order a day in advance. We'll meet your order! If you want to have a reception at home or your company premises, our cooks and waiters will help you. We accept both rubles and hard currency. We wait for you in the very center of Moscow from noon to midnight.
Our address:
1/9 1st Nikoloshchapovsky Pereulok,
YOU WON'T WAIT A SECOND, IF YOU BOOK YOUR TABLE IN ADVANCE BY PHONE:
241-1078
244-7387
SMOLENSKAYA METRO ST.
NOVY ARBAT ST.
STARY ARBAT ST.
FOREIGN MINISTRY
SADOVOYE KOLTSO
AMERICAN EMBASSY
SMOLENSKAYA METRO ST.
PERVY NIKOLOSHEPOVSKY
ORIENT

# Russia on the East River

Russia should not teach the United Nations but learn from it... This is how a BBC commentator reacted to the somewhat straightforward reasoning by Russian leaders about the importance of Russia's experience in settling interethnic conflicts for the UN. However, UN Secretary General Boutros Ghali to whom this recommendation was addressed was in no hurry to wave it away. Could it be only for diplomatic reasons?

Actually, is the experience of Russia's still unfledged diplomacy to be taken seriously? Russia was recognized as the legal successor to the USSR on the East River, where the UN stands, and most importantly, she has retained the seat on the Security Council. But this is only the official side of the matter. And what about the actual one? Does anything of importance depend on Moscow in the UN now that it has neither docile allies in Eastern Europe nor sattellites in the Third World? Some of the ex-Soviet republics which have also obtained UN membership are these days making all sorts of claims on Russia, from financial to territorial. For the first time, participating in the 47th session of the UN General Assembly is not a super-power but a state which, though the largest one territorially, is quite an average one as to most other characteristics and which, above all, is in a rather complicated political and economic position.

All this is true, but still not that simple. Let's remember: her East European allies supported Moscow only because of the unspoken "bloc discipline," while her "friends" in the Third World were mostly concerned with how to get more from her manoeuvring between the eastern and western blocs. As for Western powers, they always had reasons to criticize Moscow – either for violation of human rights in the former USSR or for the latter's foreign policy, availing themselves of the possibility to isolate it more and more often, in particular, in the UN. Which was the case there every time such issues as Afghanistan or Cambodia were voted on.

The successor to the disintegrated Union is relieved of all this baggage. More than that, Moscow has already managed to acquire a certain moral weight in the World Community by making a decisive contribution in settling conflicts on CIS territory – first in the Dniester Region and South Ossetia and now also in Abkhazia.

Alas, success on this thorny path invariably alternates with failure, for instance, in Karabakh. However, failure is also instructive; as demonstrated by physics, a negative result is also a result. Especially if efforts are made to solve the problem as a whole, developing methods of not only settling, but also of preventing ethnic and religio-ethnic conflicts which broke out after the end of the cold war.

Unlike his tired and apathetic predecessor, Boutros Ghali got down to work with great energy. He was not afraid of arousing dissatisfaction in either the Third World countries, which expected that he would defend only their interests, nor in Western countries, which feared precisely this. An Egyptian Christian born in Africa and brought up on the European culture, Boutros Ghali could become an ideal go-between in complicated conflictual situations. It's with good reason that the London-based magazine The Economist recommended him not to get involved with the "self-important folk who cluster around the UN," "his time is better spent saving the world," not only from local conflicts as such, but also from the underlying confrontation between the rich North and the poor South, or, in terms of religion, between Christianity and Islam.

Could the United Nations find a "more natural ally" in this situation than the largest "Eurasian" country, which not only is situated on two continents, but which combines the aspects of both a highly advanced and a developing country, which has profound historical traditions of maintaining diplomatic dialogues and which, at the same time, has liberated itself from ideological dogmas and the imperial burden?

It's noteworthy that Moscow, for all its limited possibilities, has, unlike Washington, recently paid off the greater part of its debts to the United Nations – an example to be followed by all debtors. Life itself now demands that the UN become a truly effective mechanism in support of international stability. Neither NATO nor the EC nor any other regional system will be able to replace this unique, universal, global international organization in the role of a guarantor of security in the post-communist world. "Where is a world policeman when you need one?" asks the well-known American analyst Jim Hoagland in his Washington Post article. He gives the answer himself in the heading of his piece: "Make the United Nations the peacemaking power."

Let us not be so hasty and categorical – a lot of things are necessary in order to turn the UN into a really effective peacemaking force: a general political will, finances, and troops with the necessary experience. But time marches on, as demonstrated by the preparations for the 47th session of the General Assembly, which is to add dynamism to the UN, as well as by its new Secretary General's visit to the capital of the new Russia undertaken on the eve of its opening.

*Dmitry Volsky*

# Foreign policy concepts of the Russian Right

**The Russian nationalists' concept of Moscow's foreign policy: alliance with the United States, Japan or China is impossible; either Germany or the Islamic world can be Russia's partners**

*Walter Laqueur*

Russian nationalists of the Right have been divided for a long time between those standing for a strong and indivisible Russia, and others, such as Solzhenitsyn, who regarded the old Soviet empire an intolerable burden. But even the latter hoped that the new Russia would include Ukraine, Belarus and northern Kazakhstan. They were not prepared for the disintegration that took place in 1991 as a result of which even the existence of the old RSFSR was threatened by further separatist pressures.

Prof. **Walter Laqueur** is director of the Institute of Modern History in London and chairman of the Washington-based Centre for the Study of Strategic Problems and International Relations.

The magazine publishes a chapter from his new book about Russian fascism, to come out in Washington next year.

**The Russian fascists of today had their predecessors. The fascist magazine *Natsia* (Nation) was put out in Manchuria before the war**

## A case of political blindness

The Russian ultra-Right woke up very late to the dangers facing it. While Kozhinov, one of its most erudite and eloquent spokesmen, published long articles arguing that the Khazar yoke was more dangerous than the Tartar and Mongol threat, the Baltic countries, Moldova and the Caucasus slipped away from Russian rule. While *Molodaya Gvardiya* and *Nash Sovremennik* fulminated against the Judaeo-masonic plot in 1917, Ukraine and Central Asia declared their independence. It was a truly amazing case of political blindness, of invoking imaginary threats and ignoring real dangers. One day the more thoughtful thinkers of the Right will, no doubt, try to establish how such fatal misjudgments could have occurred.

It is too early to speculate how Russian nationalists will explain the disaster that took place in 1991 and how they will react – whether by blaming the traditional culprits, whether they will accept the new realities, or whether they will try to regain at least some of the territories that have been lost. The shock has been so great, the changes so far-reaching, undoing centuries of Russian history, that it is difficult at the present time to assess the views of the Right on foreign policy. For a long time to come domestic issues may well receive greater attention than foreign affairs.

## The national idea plus the army

The Right has been united in its belief that Russia needs a strong army to maintain its rightful place in the world, and some of its leading spokesmen have argued for years that only the armed forces will be able to provide domestic leadership to prevent a descent into total chaos. According to some ideologists of the far Right, the armed forces have not just been the shield of the nation, but also a major cultural force, the

**Vonsyatsky is one of the most known Russian fascists before the war. In 1921 he moved to the United States, where he lived on the money of his millionaire wife. He served a four-year term in an American prison for his collaboration with Nazi Germany and Japan**

bearer of the people's morality. Let me recall in this connection the article by writer Karem Rash, "The army and culture", published in 1989 by *Voyenno-Istorichesky Zhurnal* (Journal of Military History).

The Right opposed Gorbachev's "New Thinking" for a variety of reasons, and they expressed great unhappiness even with the changes in official Soviet military doctrine in 1989/90. I can mention here the article "The nuclear shield and the national idea" published by the magazine *Nash Sovremennik* (Our Contemprary) last year. As they saw it, arms control worked in favour of the West. Through great efforts and sacrifices the Soviet Union had acquired a very strong strategic position. To squander it was tantamount to treason; hence the bitter attacks against Arbatov, Primakov and other advisers of Gorbachev. These men were by no means "liberals," let alone radicals, but they had come to realize that the Soviet economy could no longer sustain a military budget of such magnitude, and that in any case, these allocations resulted in diminishing returns from a purely military point of view.

According to the Right-wing doctrine, it was wrong to assume that nuclear weapons would not play a decisive role in a coming war. At the same time deep reductions in nuclear armament were bound to lead, sooner rather than later, to a "world government." This in the view of these circles is an American Trojan horse, the worst fate that can befall Russia, tantamount to a Western victory without having fought a single battle.

For the same reason they opposed even the test bans (except the 1963 agreement). The tenor of the complaints about the changes in the military doctrine was exceedingly bitter; their antagonists were "fifth columnists," infecting the country with some kind of political AIDS. These debates were overtaken by the events of 1991. But the complaints and the arguments about the armed forces having been stabbed into the back are likely to persist.

## From the yellow devil to the yellow danger

Insofar as foreign policy proper is concerned there has been on the Right a traditional distrust and dislike of the United States. This tradition goes back a long time before the revolution. Gorky, who for personal reasons received a less-than-cordial

**The newspaper *Russkie Vedomosti* (Russian Gazette) reprinted this drawing from the newspaper *Russkoye Voskresenie* (Russian Revival). The editor of *Russkoye Voskresenie* was arrested and charged with instigating national hatred. *Russkie Vedomosti* is still published**

reception in Puritan America wrote eloquently about the "Yellow devil" (Mammon) ruling the United States. For many years after 1945 America was described in Soviet propaganda as the greatest danger by far. True, there also was a pro-American trend of admiration and even exaggerated expectation on both the popular and the highbrow level, but the Right wanted none of it. In its view, America is a materialist society, devoid of ideals and values, an artificial, synthetic nation which would disintegrate sooner rather than later, partly because of its capitalist character but also because of a surfeit of egalitarianism and the absence of an elite. It is a sterile country that has never produced a culture of its own.

Such comments have been voiced for a long time by critics in Western Europe, among whom there was Adolf Hitler, who said: "There is more culture in one of Beethoven's symphonies than in the whole of American history." America is not considered a suitable partner for Russia in foreign politics. It is the main enemy even though there are no major bones of contention between the two countries as far as territories or economic competition or imperial ambitions are concerned. According to the Russian Right, America has tried systematically to transform Russia into a satellite.

Nor is there much love lost for China and Japan. There is some respect for Communist China which seems to have managed its economic problems slightly better than Russia and which succeeded in putting down the liberal challenge at home. But China is also the "Yellow peril" which has always endangered Russia in Asia, the billion plus hordes which one day may expand into Siberia. Japan is admired for its national cohesion and economic achievements, but the cultural differences are so great as to prevent a real rapprochement, the territorial disputes quite apart. In contrast to the Liberals, the Right has bitterly opposed giving up any Russian territory at all, even that which became part of the old Soviet Union only after 1945 such as the Kuriles.

## "A foul attack on Saddam Hussein"

Some on the Right believe that there are better prospects for a strategic alliance with

a rising Moslem empire, even if it should be Islamic-fundamentalist in inspiration. But the Islamic world is far from united and many on the Right suspect that the ambitions of Islam would soon collide with Russia's legitimate interests in Asia, and possibly even in Europe. During the war in the Gulf in 1991, the Russian far Right unanimously supported Iraq and denounced their own government for not dissociating itself from American and Western aggression. Before the war broke out the extreme Right predicted that America was facing total disaster. After Saddam Hussein's defeat they argued that in view of the enormous American superiority it was disgraceful that the West had engaged in such unequal battle.

Some Right-wing spokesmen argued at the time that good relations with the Moslem world would help Moscow to contain the separatist movement in the Soviet Moslem republics. Others, on the contrary, expressed a fear of the Islamization of Russia if the Central Asian republics remained part of the Union. This debate, too, was overtaken by events as the Central Asian republics seceded in 1991. There were enthusiastic articles in the nationalist journals about the political continuity in the Central Asian republics in 1990/91 but this too changed in the year after.

There was no full agreement on correct policies at the time of the Persian Gulf crisis. Everyone agreed that the indirect help allegedly given by Gorbachev and Shevardnadze to the Americans was disgraceful. But whereas Kozhinov advocated an orientation towards the third world (in accordance with some of Lenin's last writings), Shafarevich, a mathematician, favoured a Russian Monroe Doctrine and an isolationist policy as long as the country had not recovered from its internal eclipse.

The extreme Right opposed the restoration of diplomatic ties with Israel, and it revived the long defunct Russian-Palestinian society, a remnant from tsarist days which had then originally engaged in religious and scientific (archeological) activities. However, these and similar initiatives were of exceedingly limited importance. The broader public hardly knew about them.

## Christ or Xerxes?

In the main, Right-wing attitudes were defensive and negative, accusing Gorbachev and, in particular, Shevardnadze of engaging in a wholesale give-away of Russia's assets, territorial and military, and thus fatally weakening Russia's position as a great power.

This leaves the concepts of Eurasianism and the idea of a "continental alliance." Eurasianism is, and always was, a nebulous idea from both a cultural and political point of view. Solovyov, a philosopher, asked his friends at the time when they invoked the East whether they wanted the Orient of Christ – or of Xerxes. Present-day Eurasians want neither Christ nor Xerxes nor Khomeini, nor Khaddafi; but something that does not exist and therefore does not constitute a real alternative.

In this general context the theories of the late Lev Gumilev should be mentioned at least in passing. The son of Anna Akhmatova and the poet Nikolai Gumilev he developed some original concepts about Ethnogenesis in general and the origins of Russia in particular; the ethnos according to Gumilev was biological in character based on passionarnost – an instinct or drive. He came close to advocate racial segregation. His ideas appealed to the Right because they had a certain amount in common with the Slavophiles regarding the differences between the Russian ethnos and Europe, and he was also advocating an Eurasianism of sorts. Some of his works could not be published before 1987 and they were popularized under glasnost by Right-wing writers such as D. Balashev. But Gumilev was also attacked from the Right because of the stress he always put on the close relationship between Russia, the Tatars, Mongols and the Golden Horde. He suggests that the relations between Russia and her Eastern neighbours had been far more close and cordial than generally assumed. Such claims were bound to offend believers in the purity of the Russian ethnos.

## Back to Rapallo Treaty

The "continentalists," who are more numerous, stand for an all-European alliance based on a Berlin-Moscow axis as a counterweight against the United States. The argument in favour of a "Rapallo in reverse," referring to the treaty of 1922 which was never consummated, runs in brief as follows: Germans and Russians have traditionally been good neighbours and close partners, complementing each other in various ways. True, on some occasions they have made war against each other such as in 1914 and in 1941, but this had been the result of Western (and Judaeo-Masonic) intrigues and in the end both these great nations had suffered. In 1922 Germany was the weaker partner in the alliance, today Russia is in bad shape. But these are the transient ups and downs in the history of nations – sooner or later Russia will recover, and if they join forces, Germany and Russia will be the strongest powers in Europe, perhaps in the whole world. The *Voice of Russia* writes: "We need an eternal union with Germany," Russian Right-wing writers refer with satisfaction to an anti-American mood in Germany and imply that there is also an ideological affinity between the two countries: Russia gravitates towards authoritarian rule, rather than democracy, and in Germany too one should not take the present parliamentarianism too seriously. As *Moskva* magazine has put it, Germany is basically a conservative country which has not been affected by decomposition to the same extent as the rest of Europe or America.

The authors of most of these historiosophical and "geopolitical" fantasies are non-specialists with little if any knowledge of the world and intellectual life outside Russia. They are in the Spenglerian tradition of commenting on countries and peoples whom they have never seen. Thus there is a perennial tendency of overrating American's interest in Europe and of underrating the changes that have taken place in Germany since the Second World War. The lack of knowledge in depth and of empathy is combined with discovering conspiracies everywhere. The weekly *Den* proudly coined the term Conspiratology for this new science to which a permanent section in the paper is devoted.

Nineteenth century Russian conservatives from the Slavophiles to Pobedonostsev had, as a rule, an excellent knowledge of the West. It has been one of the sad consequences of the isolation of Russia since the revolution of 1917 that even bitter enemies of Bolshevism no longer understand the outside world. Their theories are more often rooted in a world of fantasies rather than in the realities of the modern world.

LONDON

DOSSIER

**STATE TAXATION SERVICE OF THE RUSSIAN FEDERATION**
**March 20, 1992; No. 8**

# INSTRUCTIONS ON APPLICATION OF THE LAW OF THE RUSSIAN FEDERATION "ON INCOME TAX ON INDIVIDUALS"

**Section 1. GENERAL PROVISIONS**

**1.** Income tax shall be collected on the basis of the Law of the Russian Federation "On Income Tax on Individuals" enacted by the Supreme Soviet of the Russian Federation on December 7, 1991.

**2.** The income taxpayers shall be individuals (citizens of the Russian Federation, citizens of states that once formed part of the former USSR, nationals of other states and stateless persons), hereinafter referred to as "individuals," with or without permanent residence in the Russian Federation. Individuals permanently resident in the Russian Federation shall include individuals staying in the Russian Federation for a total of no fewer than 183 days in a calendar year.

**3.** The object of taxation for individuals permanently resident in the Russian Federation shall be their aggregate income in cash (national or foreign currency) or in kind, received in a calendar year on the territory of the Rusian Federation, on its continental shelf, in the economic zone of the Russian Federation or outside the Russian Federation.

The income of individuals not permanently resident in the Russian Federation shall be liable to taxation only if such income is derived from sources on the territory of the Russian Federation, its continental shelf and the economic zone of the Russian Federation. Procedures for taxation of the income of such individuals are described in section VI of this Instruction.

**4.** Income received in kind shall be assessed as part of a year's aggregate income at state regulated prices, and in their absence – at free (market) prices, as of the date of income receipt. Should enterprises sell their own products to their employees, these products shall be evaluated at prices habitually asked from customers.

It shall be recommended to receive data about free-market prices, in case of need, from pricing agencies or trading inspectorates.

**5.** Should, in the event of utilization of funds of enterprises, institutions and organizations, individuals receive cash or coupons or other papers showing their monetary face value, which give bearers the right to travel, make a visit or use services (attend arrangements) that otherwise need to be paid for, as well as in cases where enterprises, institutions and organizations make these payments for a specific individual, the amounts of funds directed by the enterprise, institution or organization for the said purposes shall be included in the individuals' aggregate income.

The combined income of individuals shall also include the amounts of material and social benefits granted by enterprises, institutions and organizations personally to their employees, in particular payments for:

– utilities;

– all manner of subscription schemes, including subscriptions to newspapers, magazines and books;

– meals;

– medical treatment;

– parents' fees to be paid for the upkeep of their children at pre-school childcare establishments and at schools; but an employee's taxable income shall not include the amounts remitted by enterprises, institutions and organizations for the maintenance of pre-school childcare establishments as their share of expenses for the upkeep of such establishments or as payment for a certain number of places there;

– travel fares to and from the place of work, except cases specially provided for in this Instruction;

– vouchers for medical treatment and leisure, including vouchers for employees' children to Young Pioneer and other health-building camps;

– goods (products, foodstuffs) sold to employees at prices lower than market ones (in appropriate cases – lower than state regulated ones) or enterprises' own products sold at prices habitually asked by enterprises from outside customers (to the sum total of the difference between these prices and the prices at which the products were sold to employees); and

– one-off grants to workers retiring on a pension. Should the assets (either in cash or in kind) of enterprises, institutions or organizations be distributed among individuals, in the event of such enterprises, institutions or organizations being liquidated (reorganized) (with the exception of cases of privatization, pursuant to the Government Programme, of state and municipal enterprises and cases covered by the Russian Federation Government Decree No. 86 of December 29, 1991 "On Procedures for Reorganizing Collective Farms and State Farms"), the value of such property falling on each individual shall be included in his aggregate income.

Aggregate assessable income shall also include the funds of enterprises, institutions and organizations distributed among indi-

MOSCOW BUSINESS WEEK

## DOSSIER

viduals in order ot buy goods, shares or bonds or directed towards the charter (share) funds of enterprises and organizations or towards other similar purposes.

The funds devoted to the said purposes by trade union organizations shall not be included in individuals' aggregate assessable income.

Should enterprises, institutions and organizations remit their own funds to the accounts of trade union organizations, while the latter use these funds to make payments towards specific individuals or for specific purposes described in this Article, trade union bodies shall deduct taxes from such amounts as from income paid other than at one's regular place of work and report the withdrawal to the taxation agency in their area in accordance with procedures laid down in Section III hereof.

Example 1. An enterprise bought household refrigerators at a unit price of Rbs20,000 and sold them to employees at a unit price of Rbs5,000. In this case, the difference between Rbs20,000 and Rbs5,000, i.e., Rbs15,000, shall be included in an employee's assessable earnings.

Example 2. An enterprise in January acquired Rbs10,000 worth of shares of a joint-stock company per worker. The pay of a turner at the enterpise that same month came to Rbs2,500. His aggregate assessable income in January shall be Rbs12,500 (2,500+10,000).

**6.** In the case of individuals drawing income from the fulfilment by them of work under civil-law contracts, including in entrepreneurial activities, the amount of total income shall be reduced by the amount of their expenditures directly connected with the extraction of this income and documented by the payers.

**7.** The payment of income tax towards the budget shall be in rubles. In taxation of income derived in foreign currency, such income shall be recalculated into rubles at the rate of the Central Bank of the Russian Federation applicable as of the date of income receipt*).

*) At the time of signature hereof, such rate was the market rate quoted by the Central Bank of the Russian Federation.

**8.** A year's aggregate income shall not include:

**(a)** state social insurance and security benefits, except temporary-disability benefits (including benefits for sick-child attendance), and also other types of assistance in cash or in kind, provided to individuals by charity, non-budgetary and ecological foundations registered in keeping with established procedures.

State benefits not included in a year's aggregate income shall include:

– maternity grants;

– allowances paid at childbirth;

– allowances paid to look after a child (until he/she reaches an age specified by legislation);

– burial allowances;

– allowances for children of low-income families;

– allowances for invalids since childhood;

– allowances for single mothers and those with many children;

– allowances for children of enlisted men;

– allowances for widows having children, but not receiving a pension payable in case of the loss of bread-winner;

– allowances for minors during the search for their parents evading maintenance payments; and

– other allowances paid pursuant to legislation;

– (b) all types of pensions awarded in keeping with procedures established by the pension legislation of the Russian Federation, as well as supplementary pensions paid on voluntary pension-insurance terms.

The amounts of pensions awarded and paid at the expense of funds of enterprises, institutions or organizations in keeping with other procedures than those established by the pension legislation of the Russian Federation shall be included in an individual's assessable income;

**(c)** amounts received by employees in compensation for damage inflicted on them as a result of an injury or any other impairment of health sustained in their performance of work-related duties;

**(d)** severance pay and all types of cash compensation paid to employees discharged from enterprises, institutions and organizations pursuant to labour legislation.

Example. In connection with liquidation of his enterprise, an employee dismissed from May 20 was paid the following amounts of money: pay for the days that he had worked in May – Rbs600, severance pay amounting to an average monthly wage – Rbs1,100, and compensation for an unused annual leave – Rbs500. During the time he looks for a new job, but for no more than three months, the dismissed employee shall continue to draw his average monthly wage. In such case, his assessable income shall include his May pay (Rbs600) and the compensation for the unused leave (Rbs500);

**(e)** compensation payments to employees within legally established norms to make them up for extra expenditures involved in their performance of job responsibilities, in work-related relocation, and in other instances envisaged by legislation, with the exception of unused-leave compensation upon dismissal.

The amounts of such payments exceeding legally established norms shall be included in assessable income.

The compensation payments shall include, inter alia: business-travel expenses; field allowances; additional payments for the standard movement of workers permanently employed on underground jobs in mines (pits) from the shaft to the place of work and back, as well as people employed in the construction industry, whose work is mobile in nature; lump-sum grants, per diems and travel and property-transportation fares paid to workers transferred to (high-school graduates fixed up with) jobs in another locality in connection with their employment under a preliminary contract or in an organized-recruitment drive or a social-organization call-up; and compensation for the use of tools belonging to employees, for unissued working clothes and boots, as well as for the use of private cars for official needs.

**(f)** compensation payments to the parents and widows of killed servicemen in keeping with procedures established by legislation;

**(g)** income received instead of free housing and utility services pursuant to legislation;

**(h)** the value of allowances in kind granted in accordance with legislation in effect on the territory of the Russian Federation, as well as amounts paid in lieu of such allowances;

**(i)** the part of an unemployment benefit not exceeding the legally established amount of the minimum monthly pay and expenses set aside in accordance with Subitem **b** of Item 13 hereof for the upkeep of children and dependents, as well as scholarships received during vocational training

MOSCOW BUSINESS WEEK

## DOSSIER

and retraining from the Russian Federation State Employment Fund.

Tax on income exceeding the legally established amount of the minimum monthly pay and expenses for the upkeep of children and dependents shall be assessed and withheld by agencies of the state employment service, which shall, no later than March 1 of the year following the one reported on, provide taxation authorities with data in accordance with the format specified in Attachment No. 4 hereto;

**(j)** the amounts of financial assistance irrespective of its size, rendered in connection with natural disasters and other extraordinary circumstances, and also in cases where such assistance is provided on the basis of decisions of the former government of the USSR, the government of the Russian Federation, the governments of republics within the Russian Federation and by local bodies of state power and administration (Councils of People's Deputies at all levels and their executive committees, mayoralties and borough councils), labour unions, the social-insurance fund, as well as foreign states.

Financial assistance provided by decision of the said governments, organizations and foreign states shall be such assistance as is paid to specific groups or categories of individuals under certain conditions and in certain amounts.

The amounts of financial assistance provided in other cases shall not be included in assessable income only within the limits of up to 3,000 rubles a year inclusive, except for the kinds of financial assistance specified in Subitem **a** of this Item.

Should financial assistance be provided by an enterprise, institution or organization to family members of their deceased employees, such financial assistance shall not be included in assessable income regardless of the amount of such assistance;

**(k)** winnings on state-loan bonds of the former USSR, the Russian Federation, republics within the Russian Federation, other republics of the former USSR, and amounts received in redemption of such bonds;

**(l)** prizes of lotteries held in keeping with procedures and on the terms and conditions laid down by the government of the Russian Federation and the governments of republics within the Russian Federation;

**(m)** interest and winnings on deposits at banking and other credit institutions located on the territory of the Russian Federation, and on state treasury bonds of the former USSR, the Russian Federation and republics within the Russian Federation;

**(n)** remunerations for donated blood and other donor assistance, including donated mother's milk, and amounts received by medical workers for blood collection;

**(o)** alimony received by individuals;

**(p)** amounts paid out to students of vocational-training schools for work done by them in on-the-job training;

**(q)** the amounts of income of individuals who are members of mining artels, received for work involved in the mining of gold and other precious, rare-earth elements and non-ferrous metals, the list of which shall be determined by the government of the Russian Federation, and also of amber and mica. Work involved in the mining of gold and other precious, rare-earth elements and non-ferrous metals, as well as amber and mica, shall include overburden operations, sand-washing, ore-processing and other kinds of work connected with the technology of mining these products and associated back-up services.

Income received by mining-artel members from work not directly connected with the technology of mining gold, other precious, rare-earth or non-ferrous metals, amber or mica or with associated back-up services and performed either under contracts between the mining artels and various enterprises, institutions and organizations or to meet their own needs shall be taxed pursuant to the general terms;

**(r)** proceeds from the sale of property belonging to individuals by right of ownership, except for the sale of such property as part of entrepreneurial or other activities with the aim of making profits;

**(s)** individuals' proceeds from the sale of the following kinds of products raised at private small holdings:

Livestock, rabbits, nutrias and poultry either live or in the form of raw and processed products of their slaughter, products of bee-keeping, and flowers and other produce (vegetables, melons, fruits, berries and the like), grown on such private plots, in natural or processed form.

Income received from the sale of goods made from the products of livestock, rabbit, nutria and poultry slaughter (hats, fur coats, felt boots, leather products, woolen products and so on) shall be subject to income tax in keeping with procedures, and in amounts, set forth by Section IV hereof.

The possession by an individual of a private small holding shall be confirmed by a certificate of the executive body of the appropriate local Council of People's Deputies in accordance with the format specified in Attachment No. 7 hereto.

Individuals shall present certificates to confirm that they do have private small holdings to:

– enterprises, institutions and organizations to whom the individuals sell produce from their private small holdings. The document authorizing the payment of amounts to such individual shall include a note indicating the number and date of issue of such certificate, as well as the name of the body that issued the same;

– tax agency officials engaged in inspection (checking) of individuals' activities.

In the absence of such certificate, tax shall be assessed in keeping with procedures, and in amounts, set forth in Section IV hereof;

**(t)** insurance amounts received by individuals, with the exception of cases where premiums under cumulative insurance schemes are made out of funds of enterprises, institutions and organizations.

For the purposes of these Instructions, cumulative insurance schemes for individuals, which are funded by enterprises, institutions and organizations, shall be understood to mean such insurance policies as provide for the payment to the ensured individual after the expiry or in termination of the policy of a specified amount if the insured accident failed to take place.

In cumulative insurance of individuals at the expense of enterprises, institutions and organizations, premiums remitted towards insurance agencies shall not be included in the individuals' aggregate assessable income. In such cases, income tax shall be deducted in payment to the individuals of the insured amounts by the insurance agencies in keeping with procedures, and in amounts, set forth in Section III hereof: the insurance agencies shall report the accrued income and the withheld amount of tax to the taxation agency in their area.

MOSCOW BUSINESS WEEK

## DOSSIER

**(v)** income in cash or in kind, received from individuals by way of succession or gift, with the exception of remunerations paid to the heirs (successors in rights) of authors of works of science, literature and art and of inventions, discoveries and industrial prototypes;

**(w)** the value of presents received from enterprises, institutions and organizations in the course of a year in the form of products or services, not exceeding the legally established amount of the minimum monthly pay multiplied by twelve.

The amount exceeding, as of the time of gift, the legally established amount of the minimum monthly pay multiplied by twelve shall be included in assessable income pursuant to the general terms. In the case of several gifts in a year, the average monthly amount of the minimum monthly pay shall be calculated for the periods during which the gifts were made.

Example 1. An employee in May received a gift worth Rbs7,500 (the minimum monthly pay at the time the gift was made stood at Rbs500). The aggregate assessable income shall include Rbs 1,500 [(Rbs7,500 − (Rbs500 × 12)].

Example 2. An enterprise presented a watch worth Rbs2,000 to an employee in February (the minimum monthly pay in the first quarter stood at Rbs342), a radio set worth Rbs6,000 in May (the minimum monthly pay in the second quarter stood at Rbs 500) and a suit worth Rbs3,000 in September (the minimum monthly pay in the third quarter stood at Rbs800) and in November it paid Rbs1,000 for the renovation of the employee's apartment (the minimum monthly pay in the fourth quarter stood at Rbs1,000).

The aggregate assessable income shall include the following amounts of gifts:

**(a)** the aggregate income between January and February shall not include the value of the gift as it did not exceed the legally established minimum monthly pay multiplied by twelve (Rbs342 × 12 = Rbs4,104);

**(b)** the employee's aggregate income in May shall include the sum total of the two gifts exceeding the average monthly amount of minimum monthly pay for the first and second quarters − Rbs2,948 ›[(2,000 + 6,000) − [(342 × 12) + (500 × 12) : 2]‹;

**(c)** the employee's average income in September shall include the sum total of three gifts exceeding the average monthly amount of minimum monthly pay in the first through third quarters − Rbs1,464 ›(2,000 + 6,000 + 3,000) − [(342 × 12 + 500 × 12 + 800 × 12) : 3]‹ − 2,948;

**(d)** the employee's aggregate income in November shall include the sum total of the four gifts exceeding the average monthly amount of minimum monthly pay in the first through fourth quarters − Rbs2,610 ›(2,000 + 6,000 + 3,000 + 1,000) − [(342 × 12 + 500 × 12 + 800 × 12 + 1,000 × 12) : 4]‹ − 1,464.

Example 3. An enterprise presented to its employee a TV set worth Rbs5,000 in February (the minimum monthly pay in the first quarter stood at Rbs342) and a watch worth Rbs1,000 in August (the minimum monthly pay in the third quarter stood at Rbs800). The aggregate assessable income shall include the following amounts of gifts:

**(a)** the aggregate income in January through February shall include the part of the value of the gift exceeding the minimum monthly pay multiplied by twelve − Rbs896 [5.000 − (342 × 12)];

**(b)** the employee's aggregate income in January-August shall be reduced by the amount of the February gift earlier included in the aggregate income, which was paid in February and which exceeds the average monthly amount of the minimum monthly pay in the first quarter (Rbs896), since the sum total of the gifts − Rbs6,000 (5,000 + 1,000) − does not exceed the average monthly amount of the minimum monthly pay in the two quarters, i.e. the periods during which the gifts were presented − Rbs6,852 [(342 × 12) + (800 × 12) : 2];

**(x)** the value of prizes won at contests and competitions in the course of a year, not exceeding the legally established amount of the minimum monthly pay multiplied by twelve.

The amount exceeding the minimum monthly pay multiplied by twelve shall be included in assessable income pursuant to the general terms.

The part of the value of prizes to be included in the aggregate assessable income shall be determined in keeping with the same procedures as are described in Sub-item **w** of this Item;

**(y)** income received by members of a private farm therefrom − within five years starting from the year of the establishment thereof.

Tax on income other than that derived by members of private farms during their exemption from taxation on income from the farm shall be assessed as usual. Such income shall be reduced only by the amount of spending on the upkeep of children and dependents within the limits of the legally established minimum monthly pay if the husband (wife) does not already enjoy such rebate.

Since private farms have the status of juridical persons, they shall take stock of their income and expenditures in keeping with procedures established for enterprises. Income tax on the personal income of members of a private farm shall be deducted and remitted towards the budget by such private farm;

**(z)** the amounts of scholarships received by students of institutions of higher learning and those of secondary special and vocational-training schools, paid to them either by these educational centres or by charity foundations.

Scholarships instituted and paid by enterprises, institutions and organizations shall be taxed in keeping with procedures, and in amounts, set forth in Section IV hereof;

**(z1)** the amounts of pay and other sums in foreign currency, received by individuals from state enterprises, institutions and organizations in connection with their being sent to work abroad − within the limits set by legislation.

Example. An employee of a state enterprise sent abroad is paid a foreign-currency salary equivalent to Rbs 1,000 a month. In addition, Rbs240 a month − 60 percent of his average pay (but of no more than Rbs400) drawn in Russia prior to the stint abroad − are set aside for him at home. The assessable income in such case shall include only the Rbs240 paid in the RSFSR.

(To be continued)

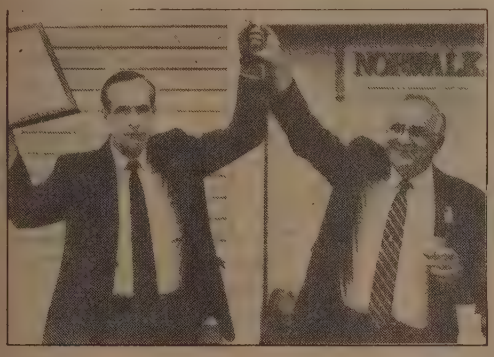
MOSCOW BUSINESS WEEK

## Rosinka American Fashion

New road signs have recently appeared in the vicinity of Moscow: ROSINKA. This is the name of a Russian-American joint venture thanks to whose efforts an entire "American village" bearing the same name is being born. The local partners are the Administration of the Krasnogorsk region and a collective farm Lenin's Behest. The American side is a multy-family housing development team, Senie Kershner International Housing Ltd.

Everything began with the authorities of the Krasnogorsk Region having established contacts with the American city of Norwalk, Connecticut. The exchange of delegations and the efforts made by the mayors of the two cities, Roman Popkovich and Frank Esposito, resulted in the idea of constructing a neighbourhood with apartments, and if so desired offices, for foreign business people and diplomats.

Thus far completed is one block of five




cottages; they will number 96 in the future. One more block has been started, it was consecrated by breaking a bottle of champaign against its foundation. Rosinka will have a school, shops and sports facilities. At that, the rent will be rather moderate.

American and Russian workers and experts work side by side at the village construction site. At the Rosinka presentation ceremony Mayor of Norwalk Frank Esposito said in particular that the introduction of American business into the Russian economy should not be feared. According to him, this kind of cooperation will promote new jobs and the assimilation of American technologies. To conclude, F.Esposito announced plans to establish sister-city relations between Norwalk and Krasnogorsk.

## Entrepreneurship reviving in Russia

The Russian national center Revival of Entrepreneurship was founded in August 1991 by the State Committee for Anti-Monopoly Policy and Support of New Economic Undertakings, Russia's Ministry of Science, Higher Education and Technological Policy, and the Central Committee of the Russian Youth League.

The principal objective of the center is to train specialists and managers for various economic sectors, in other words, to revive genuinely civilized entrepreneurship in Russia. To succeed in this ambitious effort, a nationwide network of schools has been opened. Teaching in the schools is based on innovative methods, and their curricula have been thoroughly examined by experts at the best international executive staff training centers in Great Britain and Sweden.

The two-month training programmes offered by the schools include practical experience and training abroad, in particular in Italy, Great Britain, France and Canada. A group of managers and experts from both state-owned and private enterprises returned from Italy just a few days ago. They have brought home internationally accepted diplomas along with a number of business offers.

For example, the director of the Yekaterinburg-based Russian School of Entrepreneurship, Mr. Alexander Mitin, has brought a package of proposals from foreign firms on the delivery of used machine tools to Siberia. The machines are in excellent operating order and cost only a fraction of what they would sell for in Europe.

The screening of would-be students for Germany's Academy of Professional Development and Retraining has recently been completed. Out of the 50 candidates proposed by the Russian Academy of Entrepreneurship and the Revival of Entreprneurship center, a commission of well-known Russian and German academicians selected 14 people. Their course of training is to begin in September.

Although the center has been in operation for just under a year, it has accomplished a great deal. Its training standards conform to internationally accepted norms. This was confirmed by specialists from a British business school after interviewing a number of the center's trainees.

## The best marble in the world

The marble found in Sayany (in the Siberian republic of Khakassiya) was recognized as the best in the world at the international congress of building companies and stone-dressers in Madrid. The reserves of marble in Khakassiya remain enormous. The director general of the association Sayanmramor, Mr. Nikolay Rybakov, believes that Siberian marble will meet with excellent prospects in international markets.

## Lucky GoldStar makes life more beautiful

Such was the central idea of the seminar organized in the hotel Cosmos in Moscow by one of South Korea's largest firms, Lucky GoldStar. The seminar was devoted to one of its divisions – the firm Lucky, specializing in the production of various plastics widely used in manufacturing electrical equipment, motor-car components, and consumer goods. These resins exhibit extremely high impact strength, wear resistance and are low-toxic. Not acidentally, some of them are even used in kitchen utensils and children's toys.

Representatives of the firm told those present about both the products currently in use in various industries and those intended for the future. At the end of 1989, Lucky signed a contract worth $12 million to supply soap and other bathroom accessories to the Soviet Union. Negotiations are presently under way on a contract to supply $50 million worth of consumer goods to the CIS.

# We don't pay out dividends, but...

**we help the members of the Fund to earn more, quicker and in a more reliable way, says President of the International Fund for Promoting Privatization and Private Investments,**
***Vladimir SHCHERBAKOV***

A smile is always the best business card

The man I am speaking with is an economics professor, aged 42, who has rapidly ascended in management career: Director of the Economic Planning Department at the Volga Automobile Company, Director of the KamAZ Automobile Company also in planning and economic matters; from 1985 he worked in Moscow, at the State Committee for Labour and Social Problems, soon becoming its Chairman. Later he became the Labour Minister, and finally, First Deputy of the Prime Minister in the Pavlov cabinet and chief of the key ministry – that of economics and prognostication.

But suddenly the August 1991 putsch and the government's resignation left Shcherbakov, like many of his colleagues in the highest echelons of the Soviet Union's nomenclature, without job. But not for long – as early as mid-September the abovementioned Fund was founded. The decree on its creation was signed by Gorbachev and the leaders of the then 13 Union republics, including Yeltsin. Shcherbakov was appointed its president.

Hence my first question: **What was it, a hasty improvization or a long-contemplated project, and how did it happen that the Fund was given the go-ahead practically right after the coup?**

## Dollars never come alone, and not because they get lonely

I spent more than a year creating a fund for promoting foreign investments when I was still in the Union government. A Committee for Foreign Investments was created at the Ministry of Economics and Prognostication, this alone being a great accomplishment. This was one of the major issues discussed with Western partners at Gorbachev's meeting with the Great Seven in July 1991. There it was agreed in principle that a non-governmental organization would be founded for this purpose operating on a commercial basis. It was supposed that the Fund would engage in "channelling" international investment credits along government lines.

It became clear after the coup that the project was unrealistic in its original form, primarily because the disintegration of the Union had already started and the republics would not agree to make substantial contributions to the Fund. Urgent measures were required. I arrived at the conclusion that we could count only on private investments. Only private capital has what our country needs: financial resources, technology, equipment, managerial skills. But private capital isn't going to be invested in government-run property.

On the other hand, domestic investors have become so inert recently that even wary foreign capital is more willing, in comparison, to invest in our country.

Yet dollars never come alone, and not because they get lonely. Serious hard-currency investments in the economy, in contrast to quick money-making schemes, will start only when they are coupled with ruble investments. Hence the conclusion: the most realistic way to promote private foreign investment is to carry out privtization. Thus the idea of uniting these two economic activities under the aegis of a private fund was born. On September 14, three founders, including a foreign one, signed the Fund's Statute.

We openly declared our intention to unite, in order to achieve our Statute objectives, the efforts of the most influential national structures, inclusive of associations of entrepreneurs, industrial and financial groups, public organizations and unions, as well as international organizations.

Among our members are Russia's leading enterprises, such as the KamAZ Automobile Company, the Volga Automobile

Company and other powerful concerns, enterprises and large banking associations. Thus the Fund has occupied strategic positions in key industries embracing practically all economic expanse of the former USSR.

We are active in ten republics of the former Union. Our principle is to act on the basis of agreements with the governments of sovereign states. Such agreements have already been concluded with Kazakhstan and Kyrghyzstan, as well as with Tatarstan, Bashkortostan, Kabardino-Balkaria and Yakutia; agreements with Tajikistan and Turkmenistan are ready to be signed. We have concluded an agreement for cooperation between the Fund and the State Assets Evaluation Committee of the Russian Federation.

**Don't you think that the Fund has a certain "Oriental bias"?**

Well, it so happens.... There are many members of the Fund in Ukraine, Moldova and the Baltic states, they would like us to open our branches there, but we don't want talk about "Moscow's hand" to spread. We want their governments to confirm that they support our activity and recognize our international status. Thus far they don't want to, and we won't go there against their will....

On the other hand, our cooperation with our traditional Western partners develops well.

The Board of the Fund elected by the annual meeting in June 1992 includes the heads of some Austrian (Nordex GmbH was one of its three original founders), American, German, Swiss and British firms. We began cooperation with the Rotschild Bank. We have established relations with the International and European Banks for Reconstruction and Development, the International Monetary Fund and the International Development Association.

The results in the less than a year of the Fund's existence speak well for themselves. The number of its cofounders has risen to 85, and the number of its regular members up to 2 thousand. The authorized capital, which was 15 million rubles and 500 thousand dollars at the moment of its founding, has reached 350 million rubles and 85 million dollars. The Fund works on 4 thousand privatization and investment projects, including such plans as the development of Siberia's largest Far North condensated gas deposits with estimated investments of 100 thousand million rubles and 2 thousand million dollars. The KamAZ Automobile Company became a joint-stock agency with the participation of the Fund, increasing the rate of its stock eightfold; the privatiztion of the Ust-Kamenogorsk Lead and Zink Company producing 75 percent of the lead in the territory of the former USSR has been completed. In June of 1992 an agreement was signed on creating an American/Kazakh holding uniting suppliers and consumers of the company's products, with hard-currency investments reaching 600 million dollars. The Fund carries out 70 percent of all privatization projects involving large industrial enterprises in the former Soviet Union.

**So, preferential treatment, after all? Who helped more: Premier Silayev, Russia?**

Not really, there was no cooperation with Silayev. He only told me: it would be political error for you to head the Fund....

## The fact that they make so few mistakes should be the cause for surprise

We started close cooperation with the Russian government right away. We preserved good contacts. Yet I can't say we were helped much, rather they didn't oppose us, didn't put spokes in our wheels.

And we are, of course, grateful to Boris Yeltsin, he helped us hold the first Soviet-American Conference of Entrepreneurs, he attended it in person, made a speech before the participants and demonstrated his support for this initiative. He was accompanied by Gaidar, Shokhin, Chubais – for everyone to see the government's positive attitude to our work.

Now I am completely satisfied with the relations we have with the government – nobody refuses to meet when it is necessary, Gaidar received me at 1 a.m. on a number of occasions....

There are civilized relations imbued with mutual personal esteem. Although we don't always agree with each other's actions....

**Do you think you are in opposition to the government? Do you intend to criticize its programme, as has been recently done by Yavlinsky's Epicentre and Shatalin's Reform Fund?**

When we, our team, gathered here in this room we agreed on the inviolable principle that we must always find common language with any government, because our business is impossible without normal relations with it. Suffice it to say that the carrying out of large privatization projects like those we do is possible only with the consent of the government.

This does not mean that we must support everything the government does. We don't agree with many points in its programme, but we are not going to take an oppositionary position towards it. We are free from such ambitions, just as we have no desire to return to work for the government, because we have all been there and we know what it's like. For instance, I've been made quite serious proposals, but I categorically refused.

If Yavlinsky or Shatalin want to criticize, let them do so. But I'm against criticism not accompanied by suggestions, especially against criticisms from the Epicentre: Gaidar's programme is 90 percent the same as what Yavlinsky suggested in his 500 Day Programme. Now he talks about negative consequences of the course taken by the government – how is it possible that he failed to foresee them back then?

In May 1991 I prepared an analitic report on the consequences of implementing Yavlinsky's programme 500 (originally 400)

**Always watch your step when dealing with the press**

Days. It was distributed among all members of the Federation Council. We calculated everything and predicted, citing figures, the budget deficit, the fall in living standards, galloping inflation, devaluation of cash money and bank accounts, hike of prices for meat, milk, etc. Just compare and you'll see that our figures differ from today's realities by ±5 percent.

But if Yavlinsky knew all that, why was he silent when Gaidar expounded his ideas? Does this mean that it didn't pay to speak out in those days, whereas now when it's the talk of the town that the government won't survive this autumn it has become profitable to show that there are alternative claimants to the post of the Prime Minister? We don't want to engage in such games.

That Gaidar's government is not immune to errors is clear, however, to my mind, not this is surprising but how little mistakes they make. The situation is absolutely intolerable, they are forced to look for compromises every now and then – yet so few mistakes in their search for compromises! A very capable team, they are, and I believe everything must be done to help them work normally.

And our Parliament, for all its outbursts, so far managed to avoid obviously stupid decisions, and it's absolutely normal when some people are displeased.

**And yet, what is the secret to the hurricane-speed growth in the Fund's activities, and to the scale of its operations; why is it profitable for clients to make bargains namely through your Fund?**

## In the same boat with the client

The less than a year's experience has demonstrated that our participation in projects considerably reduces the time-limits of their implementation by three times on the average (we are oriented to the shortest possible time period of 2 to 3 years). Some of these projects would not have been at all possible without our help.

Our basic principls are as follows. Firstly, projects should be 100 percent implementable. This sharply diminishes the risk, including the political one. In some cases we managed to persuade our partners (banks) to decrease the share of political risks in calcualtions from 12 to 4 percent. This yields enormous savings in the case of large enterprises. Secondly, our client should start deriving revenue as soon as possible, not waiting for the completion of the entire project. And thirdly, we believe that we should sit in one boat with the client and row together with him to the end.

We are completing a transition in the way we are organized, so that we operate on a one-stop shopping basis (the client enjoys all services in one place.) We have the numerically smallest possible Board, the core of the Fund, and about 50 independent functional, branch and territorial companies whose control stock belongs to the Fund. We are also starting out as an investment bank.

For our founders we are an organization which yields no profit, because all the money we earn is spent on statutory purposes, including charity. Nevertheless, our capital grows quicker than in any joint-stock society.

The basic idea of the Fund is: We don't pay out dividends, but help the members of the Fund earn much more, quicker and in a more reliable way.

As a result, we already are able to quickly raise up to 20 billion rubles for a good project, and 2 to 3 billion within 2 or 3 days. The situation is more complicated as far as the hard currency component of investments is concerned, but it is about $2 billion per year in the projects already in the stage of implementation, and in each we have a share.

## I want a partner who is interested in only one thing – business – sitting opposite me

**How do you visualize your prospects in light of the recent decrees by the President of the Russian Federation on privatization and on creating for that purpose diverse, including international, structures?**

We have discussed this matter and have arrived at the conclusion that a wide field of activity is left to us and that we will still have more clients. However, we see an element of unfounded enthusiasm in these decisions, because even such, conventionally speaking, privatization in which the state appropriates 100 percent of stock can't be accomplished by the end of the year – at least two years are needed, and then everything will set into motion.

**Do you equate privatization with creating enterprises of a joint-stock model? In such a case enterprises do not necessarily become private....**

From the business point of view, it's absolutely immaterial to whom an enterprise belongs, to the state or a private person. What matters is its relations with the state. If it is administratively subordinate to the state, it'll be extremely difficult to conduct business with it. I study a project and try to make it as profitable as possible, while the minister demands from my partner to do something to the contrary. I try to explain that it's unprofitable, and the partner says he is compelled to do such and such. And, of course, if the state owns 100 percent of the stock, it's half-bluff, it means that we are ready for privatization, but it's still a long way to go.

On the contrary, even if the state owns the majority share while there are other shareholders too, it can be made to talk with us in the language of economics. If it insists on something, we can agree only if it guarantees compensation for possible losses. If it doesn't, it should buy out our share....

That's to say, I want to have opposite me a partner interested only in one thing, business. And from this point of view, turning enterprises joint-stock is a powerful lever. Hard to say, which is better, this or private ownership. Everything depends on the sphere of activity. It's universally accepted that in trade private capital is preferable, but in Canada consumer coops account for 90 percent of the total commodity turnover, and they are no less effective than private shops.

In our country, it's even preferable if the control stock belongs to the state. The partner will never go absolutely bankrupt, sooner or later I will get back all which is owned to me. Even today the bonds of the Tsar's old loans are quoted in the market, which means that even now someone counts on profits from them.... But in the case of an Ivanov's or a Petrov's insolvency, I can only bite them to take the strain off....

**Let's return to the problem of foreign capital. What's the situation with the legisaltive basis for foreign investments and reinvestments of ruble profits?**

## Who will want to buy us...

The mechanism is still clumsy, we have legislation but it's thin, confused and contradictory. The government tries to follow the right line, but is forced to retreat under the pressure of various political movements. By the way, I don't agree with those who claim that it's better to have bad but stable laws. Legislation should be perfected, I'm only against changing it post factum. However, we found ways to work even under these conditions. I won's disclose our know-how – exclusive knoweldge brings us money.

**Won't you be accused of selling off national wealth?**

Who needs it, who would want to buy us? Even if we abstract ourselves form our far from attractive situation, we should bear in mind that we are joining the world market at the most unfavourable moment when

the entire ex-communist community with all its former clients and adherents in the Third World have marketed all their commodities. All prices on oil, gas, timber, aluminium, cotton, etc., are rapidly falling.

On the contrary, we try to stop underrating the value of our enterprises. Thus the value of the KamAZ Automobile Company was initially estimated at 5 billion rubles; we invited the best Western experts, and their estimates were 12 billion rubles. There are other examples, too.

Our ideas for ruble investments are profitable for our foreign partners, because we have a great many projects at one time, and they can always find one which can yield licence-free exportable products.

**Have you been registered as an international non-governmental organization?**

No need to, since there already exists the UNIDO with which we closely cooperate. We get registered in each country where we start operations. Incidentally, Switzerland was the first, then Austria and only then Russia. Now we are registered in 8 countries outside the former USSR where we have our branches; in many other countries we have offices; and we continue opening new ones.

**Promotion of national investments outside CIS countries is mentioned among the major directions of the Fund's activities. What's the situation in this sphere?**

## We want to correct our diplomacy's drawbacks

This mainly concerns Eastern and Central Europe where many enterprises operated either on Soviet orders or on the basis of Soviet raw materials. Their products can't compete on the overfilled Western markets, while the disruption of traditional ties with the Soviet Union brought these enterprises to the bankruptcy at which point they were sold out dirt-cheap, especially when compared to the costs of creating analogous enterprises in our country.

Many interesting combinations are possible here. For instance, one of our most painful problems is efficient oil processing. We have a 56 percent efficiency rate in our country compared to 92-95 percent in the West (now there has appeared a technology guaranteeing a 98 percent efficiency in processing). As a result, we lose a lot of money when we export oil products. In order to start the reconstruction of an oil refinery in Bashkiria with the participation of Western firms and avoid being left without production capacities at all, we negotiate buying one such refinary in the former GDR which has 92 percent efficiency. Naturally, the project is implementable only if the Bashkirian refinery is privatized. The Fund is now working out a project for making it joint-stock company.

There is also one more field of activity: we have offered an absolutely new approach to the problem of the property which belonged to the Russian Western Millitary Group in East Germany – its joint use by Russian and German businesses. Now the Fund works on the creation of a Russian holding to control and sell this property. We want to remove loose ends in our diplomacy.

We also engage in educational activities, we are going to open an international academy of entrepreneurship.

## Charity is not giving alms

**In short, making money....**

Not only that. At present, three Directorates of the Fund are developing 44 social projects, including programmes of employment abroad, the production of food for babies and children, of medicines and medical equipment.

**And what about charity which is so widespread today, something like a visiting card for starting a private initiative?**

We also engage in it, we have recently made a 10 million dollar present of various equipment to orphanages and nursing homes, but avoid advertising these activities.

One of our concerns is to help people who work in the sphere of culture to learn how to honestly earn money on their talents instead of begging. Charity is not giving alms. We have a project of aiding the Bolshoi Theatre precisely in this manner. Recently a large museum turned to us for help, they wanted 2 million dollars for reconstruction.... As it turned out, they have 300 thousand paintings in storage which no one has ever seen for the last 70 years. We worked out a project of exhibiting 5 thousand paintings from the storeroom around the world for 2 years which will help meet all expenses.

**Are you satisfied with your new role?**

It's the first time in my life that I work with such enthusiasm. I'm my own master, I know that certain things can be done by no one but me. No one to consult, I mean authorities, no one to share responsibility with. It's wonderful to formulate a task, find ways for its solution and eventually eat the loaf of bread you have earned yourself. I work on all Saturdays and practically all Sundays. All my colleagues live by the same principles.

The traditional concluding question about hobbies was out of place: work, only work, answered President Shcherbakov.

***Interviewed by***

**Vsevolod Rybakov**


new ASIA

**New Asia Seeks Partners!**

The New Asia company offers recreation on Lake Baikal.

We provide interesting recreation on the eastern coast of the wonderful Lake Baikal.

We can receive vacationers throughout the year.

We invite tourist agencies in CIS and non-CIS countries to cooperate.

Our address:
670034, Ulan-Ude,
6a Chertenkov Street
phone: (30122) 6-20-11
fax: (30122) 6-20-00

# Out of the "Aquarium" and into the dock

**Could a Russian military spy in Germany not know how to speak German?**

On the evening of the 18th of November of last year, a colonel in the Russian Army was arrested not far from the old city of Wernigerode in the picturesque mountains of Harz.

The detained colonel fiercely resisted and the Germans had to handcuff him. His identity was established at the nearest police department. He turned out to be, as they wrote in the German papers, "the head of the intelligence center of the Main Intelligence Directorate (GRU) of the former Soviet Army in the city of Magdeburg, a 46-year-old colonel named Viktor Zherdev."

The trial of the Russian colonel began in August in the Berlin District Court. He was accused of "being the head of Russian intelligence in Germany and engaging in espionage against the Bundeswehr and NATO troops stationed in the Federal Republic of Germany."

During the investigation Viktor Zherdev refused to write any deposition or even say anything about himself. However, there is quite a bit of evidence against him.

In the indictment it says that Zherdev "engaged in espionage from 1980 until the moment of his arrest." Along with recruiting agents in Berlin and Magdeburg he is accused of "bribing officials." It has been established that, having received speical training, Viktor Zherdev arrived in East Berlin in 1980 as an intelligence operations officer. He was responsible for "finding out about the strategic military bases of the enemy and recruiting agents."

In 1987 he was transferred to Riga to the military headquarters of the Baltic region where he headed the department which was engaged in intelligence activities against Germany.

In April, 1989, he returned to East Germany and became the head of the Magdeburg Center of the Main Intelligence Directorate (GRU) which operated from Stendal in the north to Mühlhausen in the south. The indictment says that there were about 45 people under Viktor Zherdev, and among them were 15 officers, each of whom was in charge of two recruits. How did the colonel get caught by the German security?

Viktor Zherdev, together with some other Russian intelligence officers took part in the recruitment of a police officer from Sachsen-Anhalt who informed the counterintelligence about the offer made to him.

According to the paper *Berliner Zeitung*, the agents which Colonel Zherdev was in charge of were also engaged in espionage in one of the French military units and at one of the airports of the British military on the territory of Germany.

In connection with the trial it has become known that Berndt Schmidbauer, the State Minister in the Bundeskanzleramt, visited Moscow in order to persuade the Russian leadership to curtail the secret service operations on the territory of Germany. So, the case of the cononel could grow into a serious political problem.

My attempts to get any information about the work of the colonel in the headquarters of the Western Group of the Russian Army were not crowned with success.

In court, it strangely came out that the colonel can't speak German very well. How could he recruit agents and work with the Germans for so many years then?

*Boris Lysenko,*
*New Times* correspondent
BERLIN

*THE OPINION OF AN EXPERT*

## The army agent's mistakes are forgivable

**Vitaly Chernyavsky,** the former head of the 4th Department of the KGB Foreign Intelligence, talks to a *NT* correspondent

**A Russian resident in Germany who can't speak German well? Is that evidence of the degeneration of our military intelligence? After all, the intelligence service of the General Headquarters of the Russian Army used to be considered the strongest of all military intelligence services in the world, and at times even more professional than the famed CIA and KGB...**

Colonel Viktor Zherdev, who was arrested in Germany, was not part of the General Headquarters' Main Intelligence Directorate, but the army regular intelligence. That intelligence service is at a lower level, it is of an operational character. Correspondingly its personnel are not so sophisticated and might possibly not know the language, but talk to agents with the help of an interpreter. The GRU has nothing to do with this case: it is an independent operation by intelligence department of the Western Group of the Russian Army. The GRU is engaged in strategic intelligence, while the regular army intelligence deals with less significant assignments – it finds out about what is going on in the units and formations that are the immediate counterparts of the Russian Army units.

**In recent years much has been written about how the military intelligence hated the agents of the KGB who follow them and look down on the GRU. Is that your experience?**

The KGB really has always felt superior. But we never felt any hate or animosity for our military "neighbours." Our relations were businesslike and comradely. Of course, there was rivalry and competition. All wanted to be the first to report important information to the leaderhsip of the Central Committee of the CPSU. And when squabbles arose between the two intelligence services the chiefs usually took the side of those on Lubyanka. So we took agents from the GRU whom we were interested in. I, for instance, worked with several first class spys which we had gotten from our military "neighbours."

**Did the military try to protest?**

I don't remember any such instance. It should be kept in mind that from the very beginning the military intelligence was controlled by the state intelligence service. After the war, there was less control, but the state security was still over them all the same. All the more so since the counterespionage support of the GRU and other organs of the military intelligance was always in the hands of the KGB.

# The "Aquarium" and the KGB: neighbours and rivals

The State Security Committee has always tried to keep the Main Intelligence Service (GRU) of the Soviet Army under its control. Ever since Stalin suspected his marshals of conspiring to overthrow him.

The rivalry between the KGB and the GRU has always been exaggerated. The army intelligence community was simply in no possition to oppose the KGB which controlled everything in the country, the GRU included. Security departments in the armed forces have been and remain part of the state security system.

We follow with an interview granted to *New Times* by Major-General **Vitaly NIKOLSKY** (Ret.), a crack army intelligence officer.

**You have been with the army intelligence service for thirty years. Do you think that the GRU is second to the KGB in any way?**

Professionally? No.

**And in other respects?**

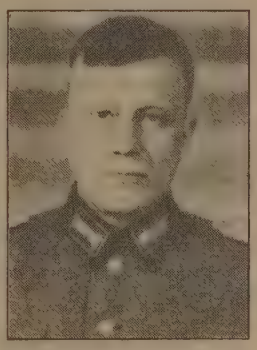
We were in a different position. They were part of an all-powerful apparatus which suspected all and sundry, and we were among potential suspects.

**What were your agency's relationships with the state security system like?**

Back at the time when I had just joined the military intelligence service its tragedy was that anyone back from a trip abroad automatically fell into the "suspect" category and, consequently, attracted the interest of the KGB.

**Were there any KGB men inside the military intelligence service?**

There were representatives of the People's Commissariat of the Interior. Sometimes, they addressed our meetings, calling upon us to step up vigilance and to observe the rules of security. One of them asked me over to his secret address near the Novodevichy Convent in Moscow. We had a lunch and a little to drink, and then he told me: "Come and join our service. You won't be sorry for that." "I am in the intelligence service, aren't I?" I countered with a tongue in my cheek. "Ours is a different service," he insisted, "we are looking for enemies inside the country." In a word, he tried to recruit me as an informer, but I managed to wriggle out of it. This is not my cup of tea.



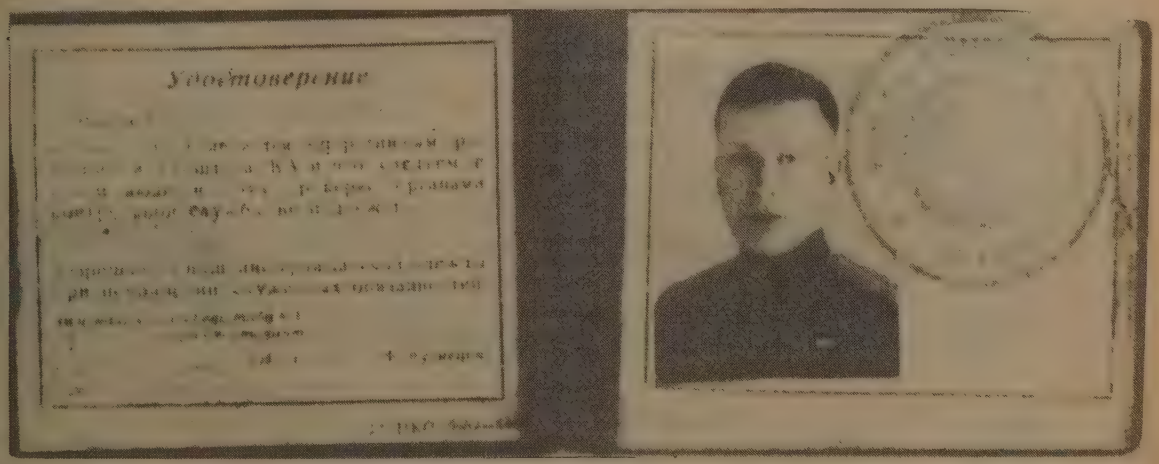
Vitaly Nikolsky in the uniform of East Germany's army officer: camouflage was necessary to smuggle his agents across the border

**Did those representatives stay on after the war?**

The KGB men did. They kept an eye on us. We knew all our "guardians." Myself, I wasn't interested in what those men were doing – trying to recruit our officers, or to secure their cooperation, or whatever.

**Did army intelligence officers discuss their "neighbours" behavior among themselves?**

We took it for granted. After all, the coun-



ID card of the Soviet intelligence officer Vitaly Nikolsky

terintelligence service was independent enough. In principle, it was supposed to infiltrate into enemy intelligence and counterintelligence agencies, recruite agents there and find out what the enemy was up to.

**Army intelligence officers are handpicked as thoroughly as the KGB officers are, but somehow you are mistrusted. Doesn't that get on your nerves?**

Well, it made me a bit resentful, let's say. Who likes being informed against? In reality, much depended on the concrete individuals we had to deal with, and I must say that there were always quite a few decent persons among those officers. The gendarme types were not as common as one may think. I always proceeded from the fact that counterintelligence officers had their own missions to do. Sometimes they actually gave us a hand.

**Any examples?**

Right after the war I served in Austria where I had an extremely useful agent. He was a West German intelligence officer who furnished first-rate information about the restoration of the German army. I paid him well. In parting, we all but hugged one another. All of a sudden, Vitaly Fedorchuk, the would-be Chairman of the KGB of the USSR, summoned me. He was deputy chief of our occupation troops' counterintelligence service in Austria then. "Get rid of that agent immediately," Fedorchuk told me. "He is a bastard: reports all your conversations with him to his boss, with comments." It turned out that my agent's chief had been recruited by the "neighbours"... Fedorchuk saved me from big trouble.

**So the counterintelligence service's suspicions were not in vain?**

Unfortunately, there were many cases of army intelligence officers defecting to the West. When I served in Austria, Americans recruited officer Popov there. He was exposed later, after he had returned home and assigned to a post at the GRU headquarters.

**The biggest GRU scandal was connected with Colonel Oleg Penkovsky, wasn't it?**

Because of him I lost my best Swedish agent, Colonel Stig Vennerström of the Defence Staff. I had to leave Stockholm in a hurry after that.

**Were you acquainted with Penkovsky?**

On several occasions he called on the Academy where I settled down after my return from Sweden.

**Was Penkovsky a crack GRU officer?**

Yes, he was. His terms of reference concerned Scandinavia and later he worked as an operations officer in Turkey. Over the last few years of his GRU career Penkovsky specialized in military technology. He had access to information on weapons which our agents across the world had got hold of, and he helped American and British intelligence services to find out those agents.

**Did the GRU meet with other "accidents" of this kind?**

It did.

**Is the GRU's record of failures longer than that of the KGB?**

Unfortunately, intelligence officers tend to understate their own mistakes and to overstate their services. I have the impression that the KGB takes the lead in the number of failures and defections. But then, the KGB exceeds the GRU by far in numerical strength.

**Did you get along with your "neighbours" all right?**

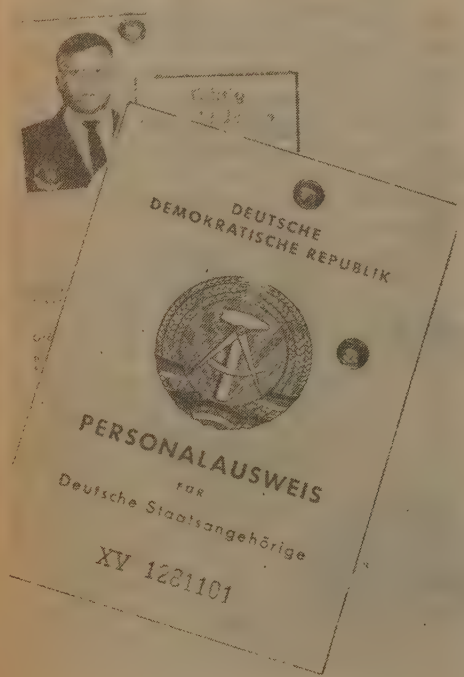
I always tried to stick up for my crowd. The KGB intelligence service sought to "strip" army intelligence of its agents, to win them over, and to take credit for our successes. That happened quite often – the "neighbours" never missed a chance of making good at our expense.

**How did they do it?**

The GRU and KGB secret agents abroad cooperated with one another. For example, I've been working with someone of interest to us for a long time, we've got on friendly terms, and I feel that he is ripe for the picking. Before I enlist his regular cooperation, I have to call on the "neighbours" to make sure that he is not on their files. The KGB operations officer raises his eyebrows high and announces: "You are a bit late, we've been working with that man for two years now! The "neighbour" is plainly bluffing. He wants to recruit the man himself, all the more so that I've done all the preparatory work for him. Such sharp practice couldn't but embitter us.

**Were you the losers in that unhealthy rivalry, as a rule?**

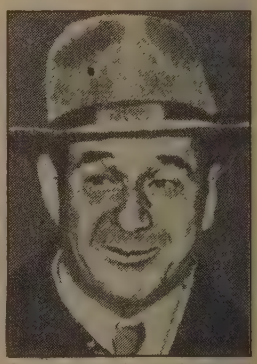
More often than not, the KGB achieved its ends. We were not on an equal footing. They were the first to report to the chiefs. From the very outset, army intelligence officers got their assignments from, and reported to, not only their own chiefs but those of the political intelligence agency as well. After the war, attempts were made to change this practice. The Information Committee was set up under the USSR Council of Ministers to merge the GRU with the intelligence service of the State Security Ministry. The Committee gave us "equal rights," but did not last long. We were separated again. The GRU chiefs put themselves in a subordinate position themselves.




The GDR passport of Vitaly Nikolsky which he used during his mission in East Germany

## Postwar chiefs of the "Aquarium"

General Fyodor Kuznetsov



General Ivan Serov degraded because of Oleg Penkovsky's high treason

General Pyotr Ivashutin. He headed the Main Intelligence Directorate for 20 years

**Could the lack of self-confidence be due to frequent replacements?**

Indeed, no GRU chief held his post for long somehow. Each new boss sought to change everything, of course. Before the war, the headquarters of the army intelligence service had hundreds of officers on staff. During and after the war, endless personnel reshuffles were made, departments were merged and then separated again, their numerical strength was now reduced, now hurriedly increased. Experienced officers were dismissed, and incompetent ones taken on. We have an academy of our own, so filling vacancies is no problem at all, but any reorganization is extremely painful to an intelligence service. Our chiefs, who came and went in rapid succession, did not think about that. All of them were outsiders, field or staff officers and what not – but never professionals. It was probably presumed that running army intelligence service required neither knowledge, nor experience.

**Did that apply to the top men only?**

I wish it did. I had an excellent agent in the FRG, a Bundestag Deputy. Once I made an appointment to see him at our secret address in East Berlin. He came, typed out whatever he had to report, and then we sat down to a snack. Before the rendezvous, my boss had warned me he would come around to take a look at the agent. He turned up all right, with a sour expression on his face. Without saying hello, he sat down, crossed his legs, looked at us, croaked out something like: "Watch out, you two," and went away. "Please forgive my chief," I told the Deputy, "he's got a terrific toothache." "Come off it," the Deputy said with a grin, "I was born and raised in a small town where everybody spoke Polish, so I understood him." I felt ashamed for my general.

**Intelligence is a craft, it can be learned.**

Yes, but instead of learning it many of our officers busied themselves with reorganization and just went through the motions. That's what they spent all their time and energies on. Ivan Ilyichev regarded all the officers back from abroad as potential traitors. Serov, who had been transferred from the KGB, simply did not care for army intelligence. Incidentally, General Ivashutin, the GRU chief until recently, had previously held the post of the KGB's deputy chairman. Matvey Zakharov gained popularity by getting us all sorts of benefits – quick promotions, high pay, etc.

**Did Marshal Zhukov, in his capacity of the Defence Minister under Khrushchev, try to impart greater weight to his intelligence service, to put it on a par with the KGB, and thus to strengthen his position and to enhance the prestige of the army?**

As far as I know, the KGB has never budged an inch.

**The novel *Aquarium* by your junior colleague in the GRU, a defector to the West who writes under the alias of "Victor Suvorov," has made a great impression on our reading public. I think the GRU ought to forgive the defector – his novel gives it terrific publicity... Is it a true inside story of a figment? Are candidates for enrolment at the GRU really threatened with being burnt to death if they commit high treason?**

Rubbish. We signed a commitment to keep military and state secrets. We knew that if we broke that commitment we should be put on trial (or simply summary punishment, as was the case before). But burning a traitor alive? Good God, no! No one tried to intimidate us, that's for sure.

**Was the veil of secrecy over the GRU even denser than that over the KGB?**

Of course it wasn't. Each serviceman knows the name of our service and its purpose. Let me repeat: we cannot compare with the KGB in any way.

**At one time you were the department chief of a special academy. How do army officers get into the military intelligence service?**

The usual procedure is to send two or three recruiting officers to the staff of a military district. They report to the commanding officer and tell him they have come over to pick out candidates for the special academy. The commander instructs his personnel officers to select suitable candidatures. The agents inspect personal records, talk with the immediate superiors of those whose backgrounds qualify them for enrolment in the academy, and then meet the candidates in person.

**Did anyone reject the offer, within your memory?**

Very few did. A transfer to Moscow opens up good promotion prospects as such, and by joining the army intelligence service a young officer gets a chance of going abroad.

**Whom do you believe to be more successful – yourself, or an officer of the General Staff's Operations Department holding the same rank?**

Line and staff officers pursue more straightforward careers and win their promotions faster.

**Did many officers leave the GRU to take up staff work or commanding posts in the army?**

Some did, but not of their own free will, as a rule. Most were defaulters.

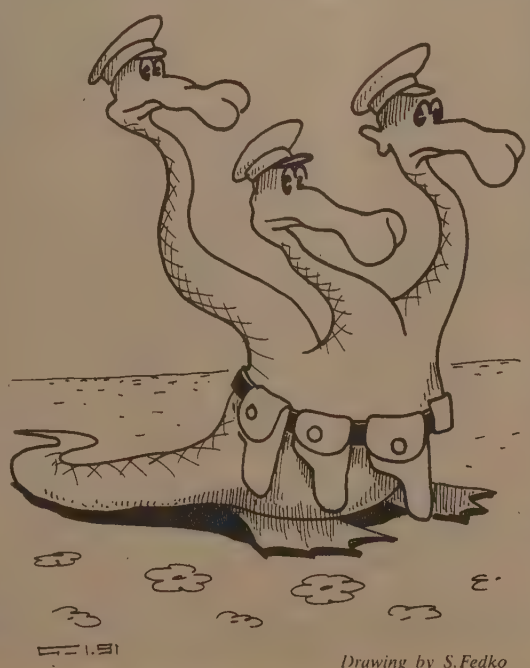
**According to the author of the *Aquarium*, would-be intelligence agents were taught good manners. Is that so?**

An instructor could remark, of course, that was bad taste picking one's nose in public, but in general students were taught special disciplines, not good manners. We enrolled those who had already received higher military training, and from all fighting arms.

**Well, lest we should disappoint our readers, the future "Aquarium" dwellers are surely taught to shoot from both hands and jump off speeding trains, aren't they?**

Well, they did train us in parachute jumping, and that was all. Later, that was withdrawn from the special training programme, too. What's the use of all these tricks to an intelligence officer? No one is going to command guerrilla units today. The only skill that may come in handy in our field work is photography.

Despite all the intrigues, Soviet military intelligence service did quite well, thanks chiefly to its lower echelons.



*Drawing by S.Fedko*

*Leonid Mlechin, Tatiana Chernova*

In the world of politics, one word can upturn one's whole life. Should the former Chairman of the Council of Ministers of the Lithuanian Soviet Socialist Republic, **Vytautas Sakalauskas,** have said "Yes!" in January 1981, he would now be in custody under investigation, as the republican Communist Party Second Secretary Vladislavs Shved is, or hide out with his friends, the military, as the former First Secretary Mikolas Burokevicius does.

But the former alternate member of the CPSU CC said "No!" to the KGB chief Vladimir Kryuchkov and a CPSU CC Secretary Oleg Shenin back in those days, and now he occupies his study at Baltiiskaya Birzha (The Baltic Stock Exchange) in Vilnius. At one time the 59-year-old Sakalauskas worked at a factory, later he was Mayor of Vilnius, and he is not jobless now.

The Moscow and Vilnius conspirators wanted to play on his ambitions in January 1991. Vytautas Sakalauskas was the Chairman of the republic's Council of Ministers. Back in late 1989 he understood that soon Vilnius was going to have a new power which he wouln't suit, and, following an old tradition, made a request to Moscow to find him a place at an embassy.

The place they found was not one of the best – he was appointed a councellor for economic matters at the Soviet Embassy in Mozambique, a very poor country with a bad climate. Sakalauskas was summoned to Moscow on the eve of the attempted coup-d'etat in Vilnius. He understood why he was wanted and even compiled en route a list of a new Lithuanian government – without the Sajudis people, naturally. According to Marshal Yazov's notebooks, it was planned that after Landsbergis and the legally elected government were removed Sakalauskas would be made the main figure in Lithuania and Burokevicius, the Party Secretary.

However, having arrived in Vilnius, Sakalauskas grasped right away what they wouldn't understand in Moscow – the Lithuanians did support their parliament and their government...

The next time Sakalauskas flew to Vilnius it was in order to be registered as a citizen of the Lithuanian Republic and to find a job – as an important figure.

* * *

A Riga-based journalist, **Andrey Maidanov,** wrote the first book about the 1975 rebellion on board a large submarine hunter boat, *Storozhevoi,* to be published in this country.

The rebellion was initiated by the Mate for Political Work Valery Sablin. His authority was so high that the crew ventured this suicidal action.

The crew declared that they no longer wanted to serve the criminal regime and were leaving for the West. The entire military might of the Baltic Fleet and the Baltic Military District was thrown against the armless ship. Even aircraft with nuclear bombs aboard

## A moralizing ex-bodyguard

A former KGB general, **Vladimir Medvedev** who was the shadow of Soviet leaders beginning with Leonid Brezhnev, is suddenly raising topics rather unexpected for a bodyguard. The general has become a moralist.

The dismissed chief of Gorbachev's personal security service said in an interview to a Greek newspaper that the USSR's ex-President was "a hypocrite whose words were at odds with his deeds... One is usually inclined to trust the person one guards. At first we also trusted him."

Only Gorbachev's wife was worse than her husband: "If she disliked somebody, he would no longer be seen either in the Kremlin or at Gorbachev's *dacha*. Raisa often changed servants and cooks and had a wicked temper. During trips she made our lives unbearable. We gave a sigh of relief when Gorbachev travelled alone... Raisa mostly wore foreign-made clothes. She made orders by catalogue, and we made sure she got what she ordered."

General Medvedev's low appreciation of Gorbachev matches his high appreciation of Brezhnev: "Brezhnev was a great leader and a modest person. The rumours about his disposition to luxury were spread by Gorbachev... Brezhnev didn't at all indulge is drinking. He took a bit of vodka sometimes to sleep better..."

The biographies of personal bodyguards resemble those of sportsmen who dream of the Olympic gold. The guard trains for years, wringing sweat out of his track-suit, in order to demonstrate at the decisive moment what he is capable of. For the General, such a moment came on August 18, 1991, when the putschists arrived at President Gorbachev's Crimean *dacha*. However, General Medvedev missed his chance.

He had been taught all his life that his only duty was to die for the President when the situation so required. Actually, the situation didn't required death. He was simply to stay with the President who, probably, was in real danger for the first time in his life. But General Medvedev, obeyed orders from General Yury Plekhanov, his boss in the KGB 9th Directorate, quickly packed his belongings and disappeared from the presidential *dacha*.

All his subordinates among Gorbachev's guardsmen preferred to stay and preserve their honour as officers.

The resigned general works for a private guard agency now and complains to foreign journalists: "I have worked honestly all my life, and as a result I was thrown out like a questionable character. This is immoral."

were sent. The ship was fired at and captured. The mutinous crewmen were tried, and Lieutenant Commander Valery Sablin who headed the rebellion was court-martialed to execution by firing squads. It was ordered to forget about *Storozhevoi*.

The American Tom Clancy wrote a political detective story *The Hunt for Red October* on the basis of this event. His book, now translated into Russian, became a bestseller. A film was shot after this book with Sean Connery starring in it.

A few years ago the Riga-based newspaper *Sovetskaya Molodyozh* (Soviet Youth) wrote about Sablin for the first time in the Soviet Union. The Editor-in-Chief of the newspaper, Alexander Blinov, arranged for a whole series on the pages of the newspaper which was to reconstruct in detail the history of this tragic attempt to rise against the regime, understand the reasons for the mutiny and learn something about the personality of the rebellious officer.

The journalistic investigation by Andrey Maidanov resulted in a book which couldn't be published for two years. It was eventually brought out by a Latvian publishing house.

Andrey Maidanov, Cand.Sc. (Philology), is now preparing the second edition of the book, working on a film script, though, on a different topic, and is intending to move to Moscow.

* * *

Miraculous recipes of Korean medicine have been passed from generation to generation in the family of **Hang Sang Kang.** It's believed that a preparation of turtle with honey fills even the most elderly with virility. The company owned by Hang Sang Kang produces about three hundred such preparations.

The company is run by his wife, the author of a book about Oriental medicine, while the profitable business affords Hang Sang Kang to go in for political science.

Director of the South Korean Institute of Peace Hang Sang Kang, 61, intends to offer his services to the Russian President and the Japanese Prime Minister. Hang Sang Kang is ready to act as an intermediary in settling the territorial dispute. Since the South Korean scholar is also a businessmen, he suggests combining politics with business.

Hang Sang Kang realizes the intricacy of the Kuril issue: conceding and retaining the islands is equally impossible. He suggests leasing the disputed islands out to Japan.

"Leasing out is a usual commercial operation profitable to both sides," says Hang Sang Kang. "The Japanese will be able to settle in the islands and the Russians will get money so badly needed for creating a normal economy."

He knows how to deal with the Japanese.

Hang Sang Kang not only wrote two thick volumes, *The problems of War and Peace on the Eve of the Third Millennium* and *World Politics in the Nuclear Age*, he also started a prosperous joint venture with the Japanese. This allowed him to become an advisor to Japanese industrialists, which is a great honour for a foreigner.

Hang Sang Kang arrived in Moscow at the invitation of the Far East Institute and made a report, "Territorial Settlements in the System of International Relations in Southeast Asia," before Russian scholars. He had established relations with Soviet colleagues at the time when the Seoul government yet issued no visas to "communist agents."

In Moscow he also intends to create a joint venture which will produce and sell his preparations. But, like all Korean entrepreneurs who came to know this country, Hang Sang Kang says that small and medium entrepreneurs will make up their minds to conduct business in Russia only after Moscow introduces legislation allowing them to invest in the Russian economy without apprehension.

## Captured by time

**Yevgeny Zharikov** belongs to the constellation of most popular Russian cinema actors. He has frequently acted in movies and TV films, but perhaps only his colleagues know that the artiste devotes most of his time not to acting in films but to the Guild of Russia's Cinema Actors, a professional organization he heads.

The Guild's office occupies only one room in the Moscow Cinema House whose omnipotent master for so many years had been the Union of Cinema Workers of the USSR. It is no more, and has been superceded by the Union of Russian Cinema workers. So why did the actors create a guild?

"The matter is," says Yevgeny Zharikov, "that both the former leadership of the Union and the new, which overthrew the old authorities at the 6th Union Conference in 1986, were totally indifferent to our needs. They were mostly concerned with their own interests, which naturally didn't suit us. The idea of actors' unity and independence, of creating an independent union was in the air. We were the first among cinema professionals to create our own guild in December of 1988."

So what's the Guild of Cinema Actors? It's a trade union defending their civil, professional and social rights. This is an agency which helps actors in searches for jobs, in making contracts with employers (studios and producers). The Guild created a fund of social support for actors many of whom, for various reasons, have now found themselves in a disastrous state. The fund is named after Tatiana Samoilova known to the world cinema audience thanks to the film *The Cranes are Flying*. The Guild started a commercial firm which manufactures and sells a variety of products and creates the conditions for actors which allow them to display business initiative and entrepreneurial activity along with creative professional work. Every year, starting from 1989, the Guild holds a festival of cinema actors called Sozvezdie (Constellation). After the first festival was held, it founded a newspaper of the same name; its current circulation is 70 thousand copies.

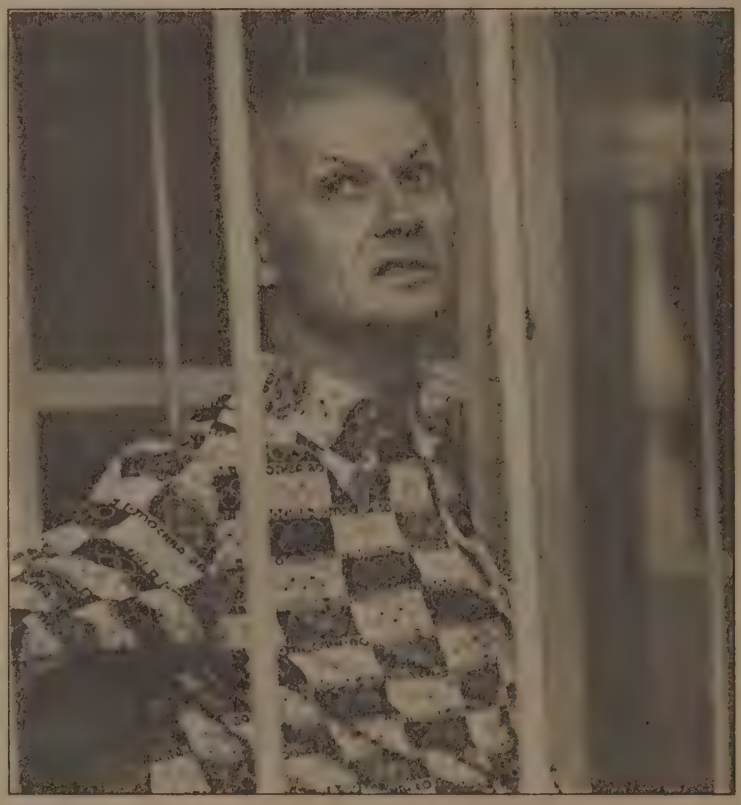
No surprise that very little time is left to Russia's Artiste Yevgeny Zharikov for creative work. True, he's recently played two small roles in two films. At present he acts in a film directed by Leonid Maryagin, *Leo Trotsky*, where he plays the role of Stalin.

# The Rostov killer awaiting a verdict

**Before bringing the "trial of the century" to completion, the court has recessed for deliberation for two months. What's the big idea?**

The year 1990 marked the 250th birth anniversary of Marquis de Sade who had spent 30 years in jail for sex-related murders. And on November 20, 1990, a man who had all but "out-Saded" de Sade was taken into custody. Andrei Chikatilo was charged with having committed, over the period of December 22, 1978, to November 6, 1990, fifty-three brutal sex-related murders including those of "(a) twenty-one boys aged 8-16, (b) forteen girls aged 9-17, (c) eighteen young women" (from a report drawn up for the press by Leonid Akubzhanov, the member of Rostov Region court who conducts the trial of this case).

This serial killer was at it for twelve years. He regularly reported to work, did his job efficiently – and kept killing. He was a model family man and, while raising a son and a daughter, kept killing. Those who knew him well had nothing but praise for him. Some even sought to marry into his family. All this information is to be found in his file made up of 222 volumes.



Behind bars

There was a 30-month interval between the first and second murders. There was no "distinctive manner" yet, the system was just beginning to take shape. The second and third killings were separated by nine months. Then the predator in him took over completely. Not all of his hunts were successful, though.

## He wanted to do it the normal way...

The first episode Chikatilo admitted to was the murder of Lyuba Biryuk. The 17-year-old girl had been stabbed more than 40 times.

Multiple knife wounds, stomachs ripped open, breasts and genitals cut off... It was genitals that Chikatilo regarded as the root cause of all his misfortunes.

Andrei Chikatilo was born in the countryside in 1936. He made good academic progress in school and, upon finishing it, was the only one of his class to apply for admission to the Law School of the Moscow State University. He did not make it, though. In his own opinion, the reason why they didn't accept him was that he had repression victims in his family. So he went through a telecommunications school instead, found a job, entered the Power Institute, did a tour of duty in the army, settled down in Rostov Region, got married at the age of 27. His wife bore him two children. In 1964 he entered the philology department of the Rostov University and graduated it in 1970. All this is on the surface. And behind all this were a failure's attempts to assert himself.

Even as a teenager he shunned girls because of his sexual inferiority complex. A doctor who had examined him then left a record saying that "Chikatilo was given to erotic fantasies of sadistic character." All this is perfectly in keeping with the assertion by Sigmund Freud, the father of psychoanalysis, to the effect that an adult's deviations from the norm are rooted in his sex experiences as a child.

## A battery thief gets caught, a murderer gets away with it

Killings were committed one after another. Something had to be done about it. And something was done. Nearly fifteen persons were tried at various times for Chikatilo's crimes. All of them pleaded guilty during investigation.

One of them, Alexander Kravchenko, 30, was convicted and shot in 1984. He was no innocent lamb himself, and had been convicted of, and done a time in jail for, a similar crime before. His wife and her girl friend confirmed his alibi but then began to contradict themselves in their evidence. That proved enough to cost the man his life in what was a gross miscarriage of justice. What compelled him to plead guilty to a

crime he had not committed remains anybody's guess.

One of the investigation groups formed in 1985 was headed by Issa Kostoyev, Deputy Chief of the Investigation Department, the Public Prosecutor's Office of the Russian Federation. They checked a large number of men with a common (or so they thought) with the murderer blood group, which only led investigation astray and hindered it. In 1989, an investigation group was formed in the Ukraine. Victor Burakov's group worked in Rostov throughout that period, since 1984. It came the closest to success because it had the support of the psychiatrist Alexander Bukhanovsky.

In 1984, by which time 23 killings had already been committed, Alexander Bukhanovsky, Cand. Sc. (Med.), President of the Phoenix Clinical and Rehabilitation Research Centre, created a hypothetical portrait of the criminal. As it later turned out, he had guessed everything right: the height, age, behaviour and health troubles of the sex maniac, right up to the details of his clothes and to the fact that he carried a brief case with the tools of his crimes.

Had they made an identic picture on the basis of that information then and publicized it on a wide scale.... Chikatilo's arrest was six years and 30 crimes away yet.

Ironically, in the same year of 1984 Chikatilo was taken into custody and convicted of stealing a storage battery for his car. He was checked upon, like all men with blood group IV were, on the assumption that it was to correspond to the murderer's sperm group. Chikatilo's blood group proved different and, upon serving his time for the stolen battery, he was released. Had they tested any other secretion – saliva, for instance.... But who could have ordered such a test in a situation where things long known to world science – such as "paradoxical secretion" (a difference between an individual's blood and other secretion group numbers) are still stubborny denied here? Let me get ahead of my story and mention the fact that Chikatilo's lawyer, referring to an anonymous foreign authority, denied outright the possibility of such a sharp difference between blood (II) and sperm (IV) group numbers. Although the difference did exist, it was impossible, you see.

## An iron cage in the courtroom

On April 14, court hearings into the "forest belt murders case" began in the Rostov House of Justice as the local regional court building proudly calls itself. (Chikatilo preferred to kill in suburban forest belts.)

The court session was open to the public. This is by no means a rule – more often than not, trials of sex offenses are held behind closed doors, with even pressmen kept out. The Chikatilo case, however, was unprecedented in that no sex criminal had ever committed so many murders (as to sex offenses as such, they are not uncommon in many states whatever their standard of development or social system).

Initially, the courtroom was jampacked. Judge Leonid Akubzhanov even ordered special passes to be issued to pressmen who covered the proceedings. Screams of hysterical parents... The defendant's escapades... Impassionate enumeration of the gory details of each killing... Confused eye-witness accounts...

On August 10, the floor was given to public prosecution. Two prosecutors spoke, in turn, for three hours at a stretch from a sheaf of prepared notes.

Before giving the floor to the public prosecutors, Leonid Akubzhanov arranged "a demonstration for the press," as he put it: Chikatilo was escorted into the courtroom and locked in an iron cage. There were only pressmen, laywers and medical doctors present.

Alexander Bukhanovsky. What he has done will probably be appreciated some time in the future

By August, many in Rostov forgot all about the trial, and others did not even hear about it. An increase in bread prices and the rumours about public phones to be made free soon were the talk of the town. People queued up for granulated sugar (68 rubles a kilo), for powdered milk, bought fruit and vegetables which were abundant in the market at that time of the year. As it was drawing to a close, the "trial of the century," held in the city's largest courtroom, drew almost no audience.

Chikatilo blared out the Internationale, gave three cheers for the Ukrainian Rukh, accused someone, in Ukrainian, of the Chernobyl tragedy – and was led out of the courtroom.

## Prosecution demands capital punishment

Anatoly Zadorozhny started, like I did (or rather vice versa) with Marquis de Sade in order to show that gratifying sexual urges by sadistic methods was nothing new.

"You, comrades judges, are not bound by anything. You are free to regard the man in the dock as sick. Or to pronounce him sane, in which case he will face capital punishment." By this phrase the first and, judging by his age, more experienced public prosecutor laid bare the gist of what had drawn experts' attention to the case. He mentioned Chikatilo's strong will to live and his suspiciousness: once, as he was being taken to some far-away place in a "Black Maria," the guards suggested a halt and allowed him to stretch his legs, but he refused for fear of being shot "in an attempt to escape."

Much of what Zadorozhny had said was reiterated by the second prosecutor, which drew the observers' attention.

In describing Chikatilo's victims, he mentioned a sloppy girl of a "non-Russian nationality"; a mentally deranged girl; "a woman of easy virtue" who gave Chicatilo pubic lice (Chicatilo vehemently denied this fact, calling it vicious slander); a drunken woman...

The descritpion of horrible killings was carried on by Alexander Kuimzhi, and again: a prostitute who had sex with Chikatilo for a drink; a drunken woman; a mentally deranged girl; a crazy boy; a girl "of easy virtue" in the state of alcoholic intoxication – and a member of a gang, into the bargain; a woman who was on a drug clinic's books; a boy who went to a school for the handicapped. Chikatilo's last victim was Korostik, born in 1968, a prostitute and a tramp who suffered from debility... Had Chikatilo picked out human trash? Did he imagine himself to be a "sanitationist of mankind"?

In a number of episodes, killings were accompanied by pilferage. In those cases, the position of an outraged Chikatilo coincided with that of public prosecution – he was not a thief, he was a sadistic killer! Alexander Kuimzhi dwelt on another distinguishing feature of the defendant – his hypersensitivity to changes in weather. He had com-

mitted most of his killings under the influence of weather fluctuations.

In view of the fact that Chikatilo had known perfectly well what he was doing as he committed his heinous crimes and that he was of extraordinary danger to society, public prosecution demanded capital punishment for him.

## Led by public opinion

On August 11, the floor was given to Marat Khabibulin, the counsel for the defence. The defendant did not hear what he had to say, however – Chikatilo made a lot of noise, then tried to take his pants off, and was ordered out of the courtroom.

The lawyer reproached the court for its failure to get rid of the "prejudgement complex." The case could not but come as a shock to every normal person, he admitted, but the court had no right to go by what was being said and written about the defendant. In the lawyer's opinion, the court was led by public opinion and failed to remain objective. The court became a slave to the view that it was dealing with a monster of cruelty to be exterminated.

Besides, Marat Khabibulin said that Chikatilo had been clubbed in the courtroom; that he had not been given expert medical aid (the defendant complained of chronic headaches, hallucinations and insomnia), that he had been denied the right to defence – i.e., a chance to look through documents in his cell for 30 minutes a day. In the lawyer's opinion, Chikatilo's behaviour in the courtroom could be explained by the fact that his relatives had to change their name and to move to another city.

Public prosecution demanded capital punishment for the defendant – that would have been fair if, first, all the charges against him had been proved; and, second, if the defendant had been sane. That was the case the counsel for the defence tried to make out in his two-hour speech which he delivered without consulting any notes.

## The defence counsel attacks prosecution

Marat Khabibulin dealt some telling blows on the prosecution's case. For example, it turned out, quite unexpectedly, that the witness on whose evidence Alexander Kravchenko had been convicted and, later, executed, testified at the Chikatilo trial, too. Was that woman prepared to testify against any suspect? And what about the evidence given by those who had seen an elderly man dragging away boys and girls plainly not acquainted with him? The defence counsel presumed that any normal person would have intervened instead of remaining a passive witness (suitable as such a witness may be for the investigator and for the court).

The counsel for the defence voiced his serious doubts about Chikatilo's sanity.

It is impermissible, Khabibulin said, to proceed from the opinion of just one authority in this matter, especially if this authority is the Serbsky Institute which the counsel described as notorious for its bias. At one time the Institute had engaged not so much in scientific research as in politics, pronouncing many well-known dissidents insane. Incidentally, one of the Serbsky Institute researchers had disclosed in a newspaper interview that Chikatilo's brain had some organic defects.

One of the defence counsel's trump cards was a reference to the opinion of Mikhail Vinogradov, ex-Chairman of the Military Psychiatry Commission of the Ministry of the Interior of the USSR, who said: "The notion of sanity comprises two components: one's awareness of what he is doing, and one's ability to control his actions. Chikatilo was certainly aware of what he was doing, but whether he could control his actions at certain moments remains an open question so far.

"Our methods of psychiatric examination and the technical outfit of the Serbsky Institute, the only one of its kind in the country, cannot – in complicated cases – give an objective answer to the question of whether a person under examination is sane. About twenty years ago, two sadists who had committed numerous sex-related crimes were sentenced to electrocution in the US. The sentence was suspended becase the criminals had consented to an additional medical examination – the implantation of electrodes in their brains.

"Doctors monitored them for a few months and registered in their brain structures powerful bioelectrical discharges which preceded outbursts of aggressiveness the criminals were simply unable to repress. Those were a kind of epileptic convulsions which did not manifest themselves externally. This applies to Chikatilo, too, in my opinion."

## Therapy instead of punishment?

Years ago, the *Novy Mir* magazine carried a series of articles by leading scientists about the nature of good and evil in man, about the roots of crime and the expediency of punishment. Some of the ideas voiced by Professor Shargorodsky in his article "Ethics or Genetics?" appeared of interest to me in connection with the Chikatilo case. "When a person's socially dangerous actions are caused by biological factors, the notions of crime and punishment are inapplicable. In this case, the person should be given medical treatment, not punished.... A person cannot be made liable either for his biological peculiarities, which cause his actions, or for his psychological qualities which stem from his biological characteristics."

At the end of the 19th century, the Italian psychiatrist and criminalist Cesare Lombroso came up with the theory that there existed people predisposed to violence owing to certain biological deviations.

Sigmund Freud who did not think much of the human race in general wrote that a man "is always tempted to make his neighbour a means of satisfying his aggressive urges.... Under favourable circumstances, aggressiveness manifests itself spontaneously: man casts aside the cover which conceals the wild beast in him merciless to representatives of his own race..." Even Plato had maintained that a wild beast seeking to satisfy his horrible savage urges is dormant in the soul of each man.

Philosophers argued for centuries over whether reason can control passions. Descartes believed that man could gain absolute power over his passions by an effort of his will. Spinoza doubted the absolute nature of this power. Hume thought reason to be a slave to affects. And all of them were talking about a normal human being! In case of Chikatilo, normalcy is out of the question. All we can talk about here is whether his pathology falls within the cognizance of human laws.

Marquis de Sade had been released from prison exactly 200 years before Chikatilo was arrested. "They let him out because he showed signs of madness," to quote the Brockhaus and Efron encyclopaedia.

On the day when the counsel for the defence made his statement which gave many – including experts, I hope – food for thought, the defendant was given the floor for the last time. He did not refuse to speak – he just sat in the dock, stooping, and kept silent. Silence dragged out until the court finally recessed for deliberation. Then a metal article was hurled at Chikatilo – the brother of one of the sadist's victims tried to lynch him. There were probably no other relatives in the courtroom on that day....

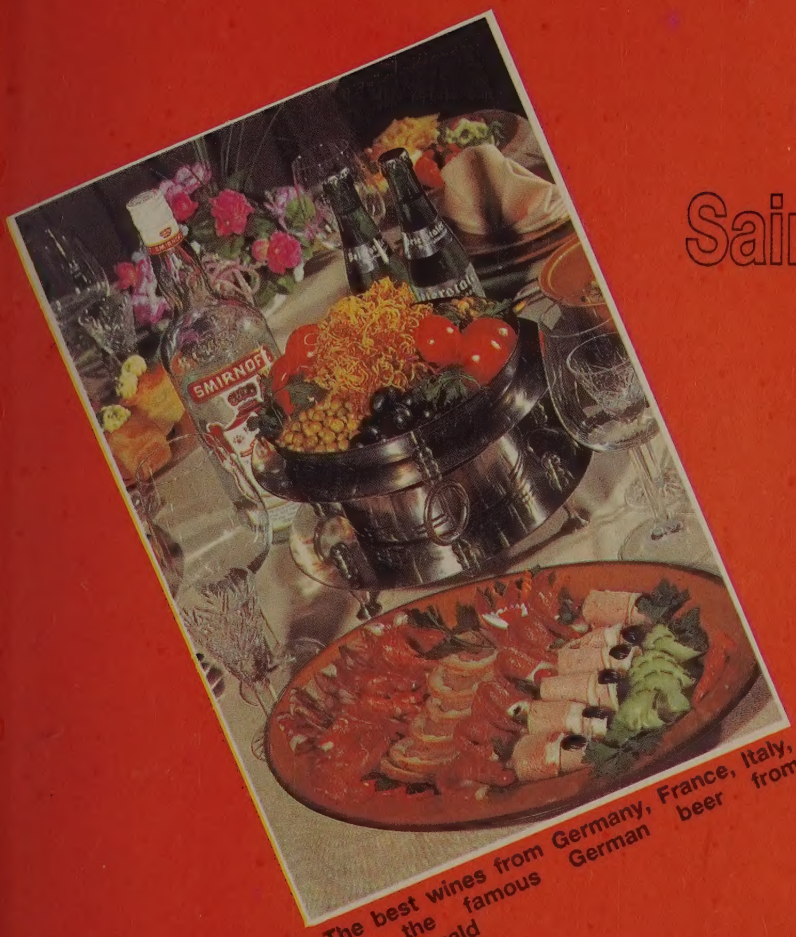
On October 14, 1992,the court chaired by Leonid Akubzhanov will pass its verdict in Rostov-on-Don's House of Justice. May I remind the reader that public prosecution demands a sentence of death for him, and the counsel for the defence wants him acquitted. Two extremes! What lies between them is not the truth but as someone aptly put it, a problem. Will the three Rostov lawyers prove equal to this problem?

*Yulia Rakhayeva*

ROSTOV-ON-DON – MOSCOW

*Photos by Alexander Pogotov*

# *WELCOME*
## *to restaurant*
# Saint Petersburg!




The best wines from Germany, France, Italy, and the famous German beer from Schwarzwald

Traditional St.Petersburg and European cuisine

**Variety-theatre with the show *Tsar Peter the Great* invites**

*Russian folklore group*

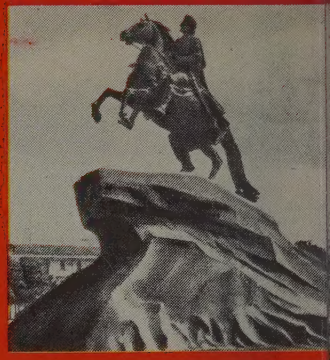
**Our phones: 314-49-47, 314-38-86**
**Our address: 5, ul. Kanal Griboyedova, St.Petersburg**

# St. PETERSBURG PANORAMA

s a monthly illustrated magazine designed for a wide circle of readers who are interested in the life of St. Petersburg and the Leningrad region: in economy, municipal management, architecture and city-planning. A full range of articles are devoted to the history of Russia, St. Petersburg, cities and towns of the region, to the history of and the current situation in culture, literature and art.

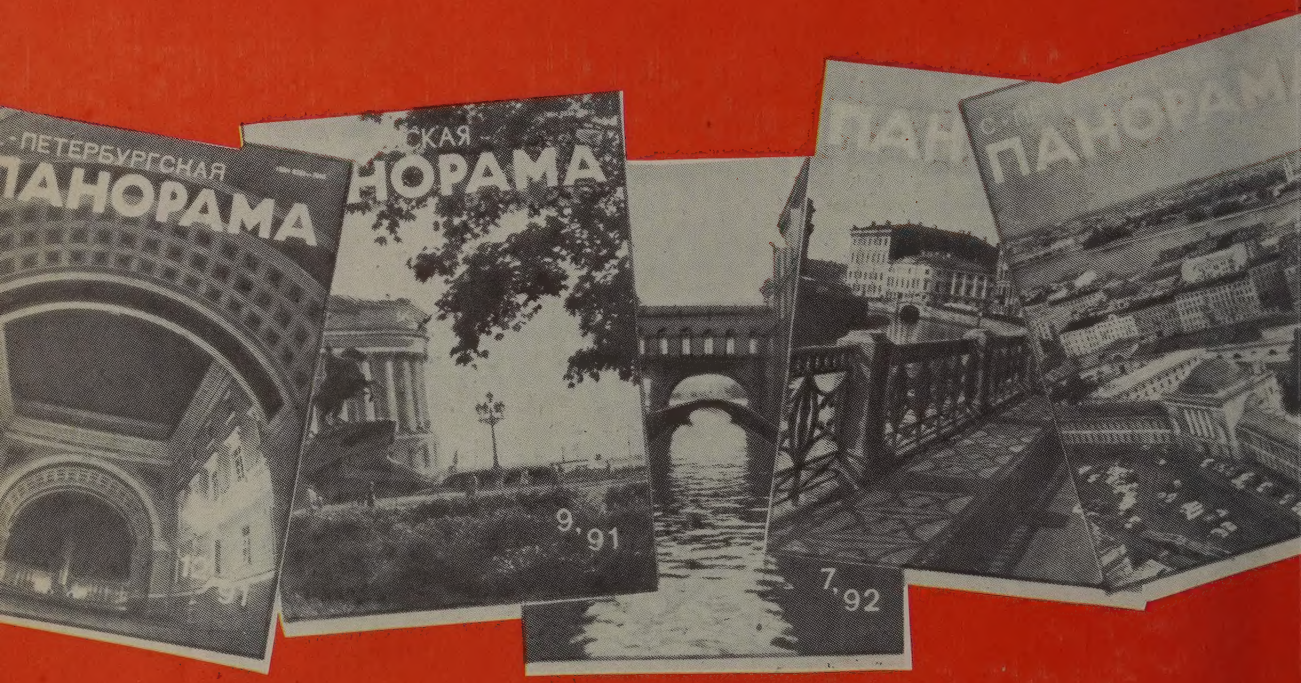
**You will find such material under the following headlines:**

The sharp turns of the economy
The physiology of St. Petersburg
The lessons of history
Our heritage
The footlights
On the scene and backstage
The sons of the Fatherland
The eye-witness accounts
The St. Petersburg museums
Houses and people
The Russian intelligentsia
The Russian business people
The ladies of our city
We are Leningraders, you and me...



*A series of essays by a 19th century publicist M.L. Mikhailov "St. Petersburg and its environs" will continue to appear.*

*The editorial staff plans to improve the design of the magazine and increase the number of colour illustrations.*




A quarterly subscription is 45 rubles; a six month one, 90 rubles; a yearly subscription is 180 rubles.

A 12 month subscription for foreign readers is $120 (postage and delivery extra).

To disseminate unbiassed information about the life of our city and region through a magazine independent from all parties and mass movements is a more important objective today than short-term commercial success. Please, subscribe now for the 12 month period starting January 1, 1993, and beat inflation. We guarantee to all those who subscribe for a year not to raise the price of the 1993 subscription.

The magazine will be available at stands and in kiosks at free retail prices.

**The index of the magazine is 73370**

*Today St. Petersburg Panorama is circulated in Russia, the CIS countries, the Baltic states, the USA, Germany, Canada, Japan, China, France, the Netherlands, Finland and other European and Asian countries.*

Editorial Staff
St. Petersburg Panorama

**Our address:**
**191025, St. Petersburg, Nevsky Prospect 53**
**Phones: 113-15-23, 113-13-28**